



# City of Havelock

## Proposed Annual Budget

### Fiscal Year 2009-10

**TO:** Honorable Mayor Jimmy Sanders  
Board of Commissioners

**FROM:** Jim Freeman, Manager & Budget Officer

**DATE:** May 29, 2009

**RE:** Budget Message

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The budget is the single most important document presented to the Mayor and City Commissioners. Generally described, a budget document outlines policy direction and serves as an understanding of the City's fiscal year operating and capital programs. It reflects the City's commitment to maintain necessary services along with striving to improve the quality of service activities while keeping the impact of taxes and fees to citizens at an acceptable minimum level.

Prior to submitting budget requests to the governing body, all department heads participated both in individual meetings with the Budget Officer and Finance Director along with an April 21<sup>st</sup> full department group review/input session. Consultation and detailed review of budget expenditures requests and revenue projections were provided by Finance Director Lee Tillman. Also, department heads were provided an opportunity to make presentations and respond to questions during a number of May conducted budget work sessions with the governing body.

Therefore, in accordance with the North Carolina Local Budget and Fiscal Control Act, the City of Havelock's budget for the fiscal year beginning July 1, 2009 is presented herewith for your review and consideration. On this day that the budget is submitted to the Board of Commissioners, a copy of same was filed in the office of the clerk where it shall remain for public inspection until the Budget Ordinance is adopted. North Carolina General Statutes (GS 150-13(a)) direct that the Budget Ordinance and Tax Rate adoption take place by July 1, 2009.

A public hearing date has been scheduled for 7:05 pm, June 8, 2009 in City Hall. North Carolina General Statute 159-12 requires this date be published and said hearing held before the Commissioners adopt a Budget Ordinance. In addition, North Carolina General Statute 159-16 directs that if the budget ordinance is not adopted by July 1<sup>st</sup>, the

governing body must adopt “interim appropriations for the purpose of paying salaries, debt service payments and the usual ordinary expenses” of the unit until the ordinance is adopted.

### **Budget Considerations**

Due to the national recession, decrease in state revenue receipts and overall downward trends in the regional economy, this fiscal budget did not fully incorporate performance based budgeting principals in consideration of requests. At a February 5, 2009 Planning Retreat, the Board of Commissioners recognized upcoming negative economic constraints and had a strong need to sufficiently fund “core services”, especially Fire/Ems service expansion. Thereby, the Budget Officer was provided priority guidance on developing the up coming FY 2009-10 Budget. In summary, those directives included the following budget observations and priorities:

#### **BOC General Observations**

- BOC believes this is a pivotal time for Havelock
- Facing overall financial difficulties
- City has overall responsibility to be transparent to public
- Responsibility is to our taxpayers realizing that there are finite resources
- Prefer not to raise taxes
- No reduction in core services
- Departments need to tighten belt and control spending

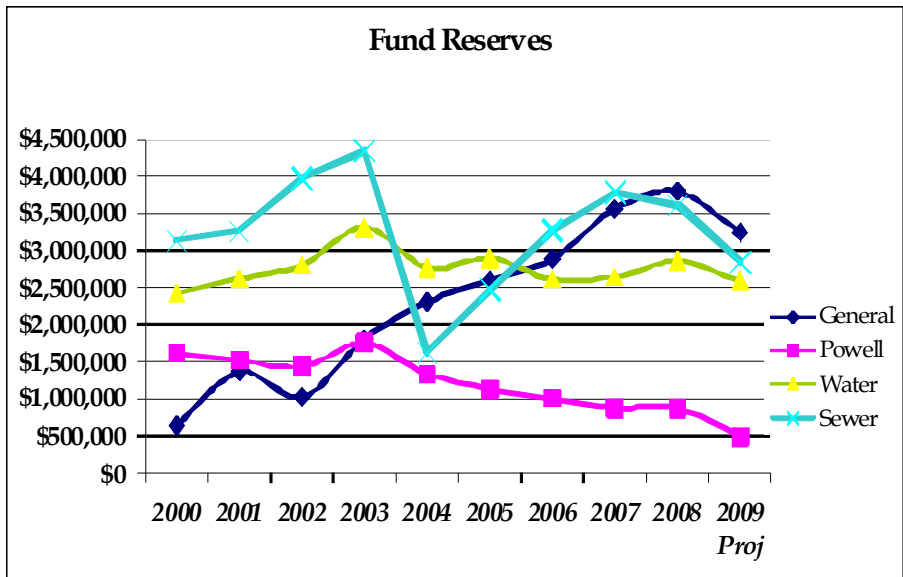
#### **BOC Critical Priorities (no order)**

- Departments need to sacrifice – Tighten Belt
- Cut costs, but minimize impact on core services
- Balance the budget – Prefers no tax increase
- Public safety is critical – Police/Fire/Ems
- Water/Sewer is critical
- Public Service – Street Maintenance, Mowing, Trash Pickup
- Maintain essential key personnel
- Recreation
  - Senior citizen program is needed
  - Grants need to be approved by BOC prior to applying
  - Interested in pursuing Phoenix Site for long range recreational planning
- Priorities for Powell Bill
  - Maintain current infrastructure with drainage & street repair
  - Follow established road re-paving schedule
  - Consider possible sidewalk line item-cost sharing with public
  - Show a way for additional funding

Per the Budget Officer's instructions, all departments were required to reduce budget requests to meet the above referenced directives. In addition this fiscal budget was developed with the criteria of maintaining a general fund balance of at least 21% for unforeseen emergencies.

**Fund Reserves:**

Obviously, a City does not want too much or too little in Fund Balance Reserves nor does it not want to commit reserves for continued operating expenses. It is anticipated that with an upcoming June 2009 budget amendment, the City of Havelock will be appropriating approximately \$178,393 dollars of non-budgeted General Fund unrestricted reserves in its present FY 2008-09 budget. This amount along with appropriating \$371,607 for proposed FY 2009-10 capital related expenditures accounts for a \$550,000 decrease in said fund. However even with these appropriations, the proposed budget does meet the Board of Commissioners initiative of 21% unreserved fund balance.



In reference to the restricted Powell Bill Funds, a sharp decline in reserves is projected as more is allocated towards street repairs, street drainage and sidewalk maintenance/improvements. It appears that due to the down economy and decreased statewide driving, this State revenue source is decreasing and the City may have to consider making up any decreased State budget allocation from this fund balance account. A continued decline in Powell Bill revenue would hinder the City's ability to provide overall service level in street, sidewalk and drainage maintenance unless supplementing non-restrictive General Fund appropriations. The City's June 30, 2009 projected Powell Bill balance is \$880,403.

After noting slight water/sewer reserve fund increases in FY 2006-07 and only a slight water fund balance increase last fiscal year, this fiscal year projects a \$270,663 Water Fund and \$758,581 Sewer Fund reserve balance decline by June 30th. As in past years, the majority of this reserve loss is due to substantially allocating one-time funds to repair additional sewer collection system inflow/infiltration problems and well repairs encountered after last year's budget process. Regardless, the fund balance reserves in both Water and Sewer are adequate for addressing annual unforeseen system problems/opportunities but are not adequate to address long-term (10 -15 yr.) water/sewer infrastructure improvement need solutions (est. \$28 million).

As noted by this past fiscal year audit presentation and referenced in a 2008 presentation by Swartz Engineer, the City's water and sewer rates should be substantially increased. A portion of these rate increases need to be allocated to the reserves for the purpose of addressing the City's long-term infrastructure needs to handle proposed military area growth.

**Overall Budget Assessment:**

The proposed \$14,680,691 FY 2009-10 overall budget reflects a \$1,297,105 decrease from last FY 2008-09 budget of \$15,977,796. Per overall expenditures, it is note worthy that the proposed 8.1% budget decrease will still support a major core service expansion in Fire/Ems operations. This expansion involves funding (January 2010) of three (3) full-time additional personnel, \$600,000 for a new fire vehicle and completing a new \$3.7 million station construction. In addition, the budget implements a new \$627,000 residential solid waste collection system which would be funded by an \$11.00 per month residential billing charge.

A summary of the overall budget comparison from previous years follows:

**Budget Year Comparisons**

<b>Audit Actual FY 07-08</b>	<b>Funds</b>	<b>FY 08 -09 Budget</b>	<b>FY 09 -08 Proposed Budget</b>	<b>Previous Fiscal Year Difference</b>
\$ 8,932,247	<b>General/Powell</b>	\$10,267,092	\$ 9,217,892	<\$ 1,049,200>
\$ 1,889,020	<b>Water Fund</b>	\$ 2,151,006	\$ 1,933,853	<\$ 217,153>
\$ 3,143,250	<b>Sewer Fund</b>	\$ 3,117,950	\$ 3,015,305	< \$ 102,645>
\$ 361,777	<b>Tourist Center</b>	\$ 251,748	\$ 386,641	\$ 134,893*
\$ 96,828	<b>E911</b>	\$ 190,000	\$ 127,000	< \$ 63,000>
<u>\$14,423,122</u>	<b>... Totals...</b>	<u>\$15,977,796</u>	<u>\$14,680,691</u>	<u>&lt;\$ 1,297,105&gt;</u>

\*Note: Includes a \$94,000 budget along with off-setting revenues submitted for the first time by the ECAHF.

In reference to budgeted personnel matters, the budget does not fund cost-of-living adjustments, employee career development nor fund employee education reimbursement. However, at an estimated annual cost totaling \$ 31,451, the budget does retain performance evaluation program funding to those employees who qualify.

The proposed budget does not furlough any regular employees and will continue reliance of inexpensive prisoner assistance to undertake labor intensive public works related activities such as drainage ditch maintenance and mowing. In addition, there will be an August retirement of the Director of Administrative Services. Upon said retirement, this position is proposed to be eliminated and the responsibilities, including five (5) employees supervised by such position be reorganized to other departments. A copy of the City’s 118 full time employee chart as of June 30, 2009 and prior to elimination of the Director of Administrative position in FY 2009-10 may be referenced on the next page 6.

As for major “new” budget operation costs, increases accounted for in the proposed budget, this amounts to \$329,203 in the General Fund, \$55,050 in the Utility Fund and \$3,445 in the Tourist Event Center Fund. These are identified in the below table entitled, “FY 2009-10 Major O&M Budget Cost Item Increases”. Generally, unless the City does away with the coverage and/or decreases the benefit, the City has little direct control over these cost activities.

### FY 2009-10 Major O&M Budget Cost Item Increases

	General Fund	Utilities Fund	TEC Fund	Total
<b>Health Insurance</b>	\$ 53,115	\$ 30,811	\$ 2,650	\$ 86,576
<b>Property Insurance</b>	\$ 68,497	\$ 12,373	\$ 200	\$ 81,070
<b>Worker’s Comp. Ins.</b>	\$ 36,091	\$ 11,866	\$ 595	\$ 48,552
<b>New Debt Service</b>	\$150,000	\$0	\$ 0	\$150,000
<b>Unemployment Comp.</b>	<u>\$ 21,500</u>	<u>\$0</u>	<u>\$ 0</u>	<u>\$ 21,500</u>
<b>Totals....</b>	<u>\$329,203</u>	<u>\$ 55,050</u>	<u>\$ 3,445</u>	<u>\$387,698</u>

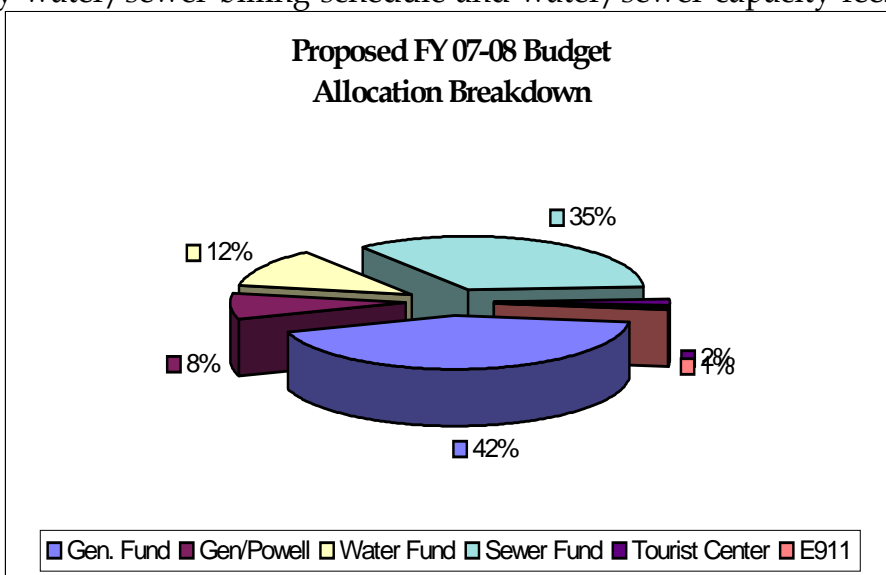
In reference to the national recession affecting North Carolina, it is apparent that the City of Havelock like others faces both a cyclical and structural budget challenge. Cyclical problems are typically caused by temporary economic down terms (*i.e. recession, substantial fuel/gas cost increases, housing market concerns, etc.*), whereas structural is caused by long-term gaps between revenue growth projections and “realistic” cost to

{Insert organizational chart}

provide service/infrastructure (i.e. wastewater capacity). When dealing with a cyclical fiscal problem, more traditional budget balancing methods such as delay purchases, cut costs, delay maintenance and use one-time reserve funds will likely work. However, in a structural situation, these same traditional balancing methods will only postpone a day of reckoning and make fiscal matters worse. Unfortunately, with this proposed budget the cyclical and structural financial challenges were not fully addressed.

**Recommended Budget:**

This proposed budget does not propose a general fund tax increase but includes a \$11.00 per month residential fee charge and some minor zoning related fee increases. In addition, the monthly water/sewer billing schedule and water/sewer capacity fees are proposed to be increased by 19.2%. The recommended budget reflects an increase of 5.5% in both water & sewer rates. At this time, there are no other fee schedules proposed to be increased.



The proposed overall \$14,680,691 budget at a .53-cent per \$100 tax rate is balanced and does provide sufficient funding for the City to meet debt-servicing obligations and continue essential service operations. In addition funding is appropriated to support a service level expansion in the provision of Fire/EMS and implementing a new residential solid waste collection system.

Resulting from budget work sessions, \$372,606 of non-restrictive general fund reserves were appropriated for four (4) expenditure activities. A summary breakdown of said annual reserve expenditures may be referenced in the below table:

IT Capital Equipment Replacement	\$ 25,000
ECHAF Grant Match - TEC Bldg. Expansion Project	\$ 32,000
Three (3) Patrol Vehicles	\$ 81,000
GF Contingency Account	<u>\$234,606</u>
<b>Total....</b>	<b><u>\$372,606</u></b>

There are no retained Water/Sewer Fund reserves proposed to be budgeted.

### **Major Initiatives – General Fund:**

As referenced in the previous section, new continued operating cost increases totaling \$387,698 are absorbed in this proposed budget with no tax increase. With that said many major initiatives that were implemented in fiscal year 2008-09 are still moving forward: computer server equipment purchases, citywide software (Tyler), electronic filing system (Laserfiche), Public Safety software (New World) and a reduced Employee Merit System. The continuation and FY 2009-10 additional programs are being accomplished within the existing tax rate of \$.53 and a substantial reduction or neutral amount of proportional revenues received from the state.

A summary of the major general fund initiatives included in the proposed budget follows:

***Solid Waste Collection Program*** - The proposed fiscal budget incorporates a new solid waste collection system with estimated revenues of \$627,000 generated from a monthly \$11.00 residential container charge. This amount should off-set collection expenditures such as contractual services with Waste Industries and other City pickup and disposal activities. Generally, this program includes a significant change in solid waste collection from a County responsibility to a City responsibility. Whereby, the solid waste residential program is changed from a non-mandatory pay as-you-throw (sticker program) to a mandatory collection system. The mandatory collection system was seven (7) year contracted to Waste Industries Incorporated for 95 gallon roll-out weekly container collection. Program implementation is scheduled to be effective July 1, 2009. Rates for these services are to be adopted with the overall citywide fee schedule and billed by way of the existing utility billing program. In addition, the City workforce will be enhancing the collection of green and bulk waste streams.

***West-End Fire Station & Staffing*** - The proposed budget includes 50% of the expense to construct a new west-end fire station along with including associated operational and maintenance and labor expense. It is anticipated that this second City Fire/EMS facility located in the City's western corporate limits should be complete and opened in a January-March 2010 time frame. This proposed fiscal budget does not include USDA debt service of approximately \$176,000 for the new station. However, in fiscal 2010-11 the city will realize an additional operating & maintenance expense for the new station of approximately: \$24,000 and the full expense of the additional three (3) employees which will add an additional expense of approximately \$58,000. These additional expenses will equate to \$.043 on the tax rate, which will be a non-discretionary expense in 2010-11.

***Fire and EMS Vehicles and Equipment*** - The proposed balanced budget includes the purchase of an additional fire fighting /suppression vehicle (Quint) and associated

support equipment. In addition, this fiscal budget the Fire Department will acquire a replacement EMS vehicle with the associated equipment. The total cost for these purchases is projected to be \$825,000. The vehicles will be USDA funded by way of a 4.5%, \$725,000 loan and \$100,000 grant. As of this writing, the application has been submitted but has not been formally approved. The debt service and operational and maintenance for these purchases is not included in this proposed fiscal budget. If the vehicle debt service was included, such would have been \$ 68,875 which equates to \$.011 on the tax rate. Once the new West-End Fire Station becomes fully operational and with the additional three (3) employees, Station Debt Service, Quint and replacing a EMS unit will have a future FY 2010-11 estimated expense of \$326,875. This additional estimated expense equates to \$.054 on the tax rate.

**General Fund Revenue & Expenditure Overview:**

*Revenues -* In consultation with Finance Officer Lee Tillman, General Fund revenues were conservatively based upon normal historic trends and provided North Carolina League of Municipalities (NCLM) Municipal/State-Collected Revenue Estimates. However, being that the legislators are still in session tackling major State budget problems, as of this June 2009 writing, it is unsure if the City can count on fully receiving its State revenue share. Thereby, this proposed budget accordingly accounts for the following conservative best guess:

FY 08-09 Budget	FY 08-09 Projected	State Revenue	NCLM Forecast	Havelock Budget
\$1,534,875	\$1,344,875	<b>Sales Tax</b>	Decline to flat	\$1,340,750
\$950,000	\$877,513	<b>Franchise Tax</b>	Decline to flat	\$875,000
<u>\$582,587</u>	<u>\$582,587</u>	<b>Powell Bill</b>	Sharp Decline	<u>\$515,000</u>
<u>\$3,067,462</u>	<u>\$2,804,975</u>	<b>Total</b>		<u>\$2,730,750</u>

Havelock’s General Fund revenue budget totals \$9,217,892 of which State source allocations (i.e. Powell Bill, sales tax, franchise tax, etc.) comprise approximately 30% of said budget, with the largest single State source being Sales Tax. A source which is effected by economic conditions.

Another City main fund source of revenue generation is the property tax rate, which is assessed on a citywide valuation of \$605,000,000. Based upon a tax rate of .53 cents per \$100 valuation and applying a 99% collection rate, the General Fund should

receive \$3,197,978 which represents 34.7% of the total \$9,217,892 Fund revenues. Thereby, **one penny on the tax rate is equivalent to generating approximately \$60,000 of revenue.**

After State allocated and property tax generated revenues, the balance of General Fund revenues generated are derived from sources controlled locally, such as fee schedules, permits, reserve balances appropriated, contributions, etc.

Also in order to balance the fund and as part of the locally controlled revenue sources, it should be noted that \$371,607 of non-appropriated fund balance along with a \$696,602 Water/Sewer Fund Administration contribution is proposed to be allocated. These W/S administration contributions are for shared General/Utility costs paid for in the General Fund and reimbursed by Water/Sewer Funds.

**Expenditures** - Capital equipment/vehicle costs are proposed to be kept at a minimum this fiscal year. Additionally, this budget fund incorporates continuation of a merit system program at a cost of \$31,451.

Another General Fund expenditure not included at this time in the proposed budget is the USDA debt servicing for the \$3.7 million fire/EMS facility. In addition this proposed budget includes six (6) months of operational and maintenance and three (3) FTE (Fireman/Paramedics) for six (6) months.

In regards to insurance cost matters, such health, unemployment and property/liability there are anticipated increases budgeted. This proposed budget includes the finance officer's best estimate for such insurance carrier premiums and any earlier cost increase notifications.

Also in reference to general fund related contributions, a number of organizational requests were received. Per budget work session discussions and as of this writing, the following were proposed to be funded in this budget:

Requestor	Amount Requested	Budgeted
Library	\$55,525	<i>{Note: BOC may consider allocating some contingency amount at budget adoption}</i>
Historical Society	-0-	-0-
HRDC	-0-	-0-
ACT	\$11,000	\$5,000
Appearance Commission	\$6,100	\$5,000

BOC Discretionary Funds	\$3,000	\$3,000
Community Band	\$500	\$500
Art Committee	\$2,100	\$2,100
ECAHF * Available as Match Only	<u>\$65,360</u>	<u>\$32,270*</u>
<b>Total</b>	<b><u>\$143,585</u></b>	<b><u>\$47,870</u></b>

**Water Fund Revenue & Expenditure Overview:**

*Revenues* - In consultation with Finance Officer Lee Tillman, Water Fund revenues were conservatively based upon normal historic trends. Thereby this proposed budget projects a \$217,153 decrease in overall revenue sources when compared to the present budget. The decrease is in despite of including a rate adjustment increase of 5.5% to the monthly billing fee schedule. This monthly billing revenue budgeted translates to receiving \$1,600,000 from said source. Other sources such as investment interest, taps, reconnects, activation fees, \$2.00 per month capital charge and miscellaneous should realize \$381,439. Combined with monthly billing revenue total, other source revenues of and no fund balance appropriated, the total revenues projected for this fund will amount to \$1,933,853. The capacities and tap-on fee schedules are proposed to be increased by the 19.2% adjustment. A summary of the proposed residential sized water tap/capacity fee increases discussed at prior budget work sessions follows:

<b>3/4 " Meter Size</b>	<b>Current Rate</b>	<b>Proposed Rate</b>
Tap	\$ 965	\$ 1,155
Capacity	<u>\$ 1,122</u>	<u>\$ 1,345</u>
Total....	<u>\$ 2,087</u>	<u>\$ 2,500</u>

*Expenditures* - Capital equipment costs are proposed to be kept at a minimum this fiscal year and may be more detailed referenced in departmental capital outlay sections of the budget document. Generally these capital cost amounted to 19% of the total water fund budget and operations. Operations amounted to 59% and personnel amounted to 19% of this fund's expenditures. In comparison to last year's budget, there is a proposed \$217,153 decrease in overall expenses.

As reported in the general fund expenditure section, this fund also is addressing operation and maintenance (O&M) increases related to insurance and utilities rate increase.

**Sewer Fund Revenue & Expenditure Overview:**

*Revenues* - In consultation with Finance Officer Lee Tillman, Sewer Fund revenues were conservatively based upon normal historic trends. This proposed budget projects a decrease of \$102,645 in total revenues over last fiscal year even after an adjustment increase of 5.5% was applied to the monthly billing fee schedule. The monthly billing revenue budgeted projects receipt of \$2,703,000 from customer billings. Other sources such as investment interest, taps, reconnects, activation fees, and miscellaneous should realize \$312,305 and combined with monthly billing revenue and with no fund balance appropriation; the total revenues projected are \$3,015,305. As with the water fund, there is a proposed 19.2% increase in the capacities and tap-on fee schedule. A summary of such cost follows:

<b>3/4 " Meter Size</b>	<b>Current Rate</b>	<b>Proposed Rate</b>
Tap	\$ 620	\$ 785
Capacity	<u>\$ 2,140</u>	<u>\$ 2,715</u>
Total....	<u>\$ 2,760</u>	<u>\$ 3,500</u>

*Expenditures* - Capital equipment costs are proposed to be kept at a minimum (2%) this fiscal year and may be more detailed referenced in departmental capital outlay sections of the budget. As reported in the general fund expenditure section, this fund also is addressing operation and maintenance (O&M) increases related to insurance and utilities rate increases. Operation and maintenance expenses comprise a high 67.7% of this department. Overall, this proposed budget projects a \$102,345 decrease (3.3%) from the previous year.

As reported in past years, the major issue in the Sewer Fund should now shift from problems with the sewer collection system to implementing a wastewater treatment capacity solution. Funding solutions need to be focused towards relocating the City’s wastewater discharge point, ultimate 3.5 mgd facility expansion and working on an inter-governmental partnership concept such as afforded by the City of New Bern.

In today’s dollars, these long term sewer infrastructure needs are in excess of \$28 million. As part of the long term \$28 million cost, is a need for short term (3 yr) sewer facility treatment and discharge improvements to relocate from Slocum Creek to the Neuse River at an approximate \$9 million cost. Thereby, if successfully permitted and implemented, such may permit some increased sewer capacity use from 1.9 mgd to 2.25

mgd while the City continues to move towards an ultimate 3.5 mgd treatment capacity resolution at its existing wastewater facility.

First mentioned last year, as the City moves towards its wastewater discharge relocation and capacity solution, it should not be a surprise of being challenged by environmental organization(s) who expressed public comments of not wanting additional wastewater related discharges into the Neuse River. Any legal cost to defend potential challenges is not included in the wastewater long term capacity resolution. The City's engineers and environmental sub-contractor have conducted a river modeling analysis of the Neuse River which was completed in fiscal year 2008-09. In addition, the City Engineer is performing an assessment of a potential sewer discharge route which should be completed in fiscal year 2009-10. Also in partnership, Marine Corp Air Station Cherry Point has preliminary concurred to permit the City proposed wastewater discharge outfall to cross its property in order reach the Neuse River. Thereby this direct access saves the City a few million dollars from taking a circular route around federal base property.

Another potential sewer expenditure that may materialize later this budget year is a City of New Bern sewer partnership concept, whereby, the City of New Bern agrees on treating up to 500,000 gpd from the City of Havelock at an agreed upon cost. Being that such is presently in an agreement discussion stage, no funds are provided in this budget for capital improvements. However, if such should develop favorably, a financing mechanism would be explored with the USDA grant/loan program and utilization of some retained earning reserves.

### **Tourist Center Fund Revenue & Expenditure Overview:**

*Revenues* – In consultation with Finance Officer Lee Tillman, Tourist & Event Center revenues were conservatively based upon normal historic trends. The Center has been open for six years and we are better able to make realistic revenue projections. Adjustments were made in this budget to align estimated revenue from fees with actual revenue attained in previous years. This proposed budget incorporates a general fund contribution of \$82,641 to balance a \$386,641 Tourist Center Operation.

It is important to note that as of last year the City created the Eastern Carolina Aviation Heritage Foundation to assist and coordinate planning and marketing efforts for the Tourist Center. This Foundation is a non-profit and capable to solicit for private firm contributions such as but not limited to Lockheed Martin which contributed \$10,000 in FY 2008-09. Their budget is overseen by the City.

*Expenditures* – There are no new positions proposed in this budget and no major capital improvements or capital equipment purchases proposed. A proposed \$32,000 match out of the Tourist Center Fund is budgeted for the newly created Aviation Foundation planning and marketing plan. It is anticipated that the County's TDA will grant match

\$20,000 to this effort and the foundation shall solicit/raise \$10,000 of private contributions.

**E911 Fund**

This \$127,000 fund is earmarked monies, which are obligated to be expended upon City’s emergency 911-telephone system activities only. These funds cannot be allocated to other City functions and must be separately accounted for. Generally, the budget proposes that the majority of the funds be expended on equipment upgrades, computer software and supplies related to E911.

**Project Debt Financing**

Proposed in the budget are payments to satisfy capital project debt service financing this upcoming fiscal year. As of this Budget Message, the total outstanding General Fund principal debt is \$2,490,606 and interest is \$971,862. This General Fund debt includes the Tourist Center Fund Project. The combined Water and Sewer Fund total outstanding principal debt is \$8,281,879 and interest is \$3,873,156. It is of interest to note in the Sewer Fund, that past sewer plant facility improvement debt is scheduled for a 2014 pay off....four (4) years from now. These annual sewer payments are \$436,565 per year and once paid off should assist the City in financially funding its long-term wastewater capacity needs.

Per more detailed information, Finance Officer Lee Tillman provides the following debt service breakdown per project:

<b>GENERAL FUND:</b>		<b>WATER FUND:</b>	
	<u>Senior Service Center</u>		<u>Water Plant</u>
			State of North Carolina
Lender:	USDA	Lender:	Carolina
Maturity:	2036	Maturity:	2024
Annual Payment	\$53,264.58	Annual Payment	\$191,711
Principal Payoff:	\$666,278	Interest Rate on Loan	2.87%
Interest Rate on Loan	4.25%	Principal Payoff:	\$2,061,541
<b>GENERAL FUND &amp; TOURIST CENTER FUND:</b>		<b>SEWER FUND:</b>	
	<u>Software</u>		<u>Annex Debt</u>
			State of North Carolina
Lender:	BB&T	Lender:	Carolina
Maturity:	2014	Maturity:	2023
Annual Payment	\$69,138	Annual Payment	\$121,207
Principal Payoff:	\$335,000	Interest Rate on Loan	2.55%
Interest Rate on Loan	3.19%	Principal Payoff:	\$1,315,081
			<u>Sewer Plant</u>

<b>GENERAL FUND &amp; TOURIST CENTER FUND:</b>		State of North Carolina	
	<u>Recreation and Tourist Centers</u>	Lender:	2014
Lender:	BB&T	Maturity:	2014
Maturity:	2017	Annual Payment	\$436,565.54
Annual Payment	\$91,206	Interest Rate on Loan	3.04%
Principal Payoff:	\$570,000	Principal Payoff:	\$2,009,507
Interest Rate on Loan	4.89%		
<b>FIRE STATION PROJECT:</b>		<u>Sewer I&amp;I Project</u>	
	<u>Land</u>	Lender:	USDA
Lender:	USDA	Maturity:	2047
Maturity:	2050	Annual Payment	\$204,250.00
Annual Payment	\$176,000	Principal Payoff:	\$2,895,750
Principal Payoff:	\$3,800,000	Interest Rate on Loan	4.375%
Interest Rate on Loan	4.50%		
<b>FIRE VECHICLES:</b>		<u>Quint/EMS</u>	
	<u>Quint/EMS</u>	Lender:	USDA
Lender:	USDA	Maturity:	2029
Maturity:	2029	Annual Payment	\$68,875
Annual Payment	\$68,875	Principal Payoff:	725,000
Principal Payoff:	725,000	Interest Rate on Loan	4.50%
Interest Rate on Loan	4.50%		

## Closing

It is the desire of the management and staff of the City of Havelock to provide services at the levels the citizens / customers demand and deserve, while maintaining effective controls over the cost of those services. Through the policy setting actions of the Mayor and Board of Commissioners, we strive to accomplish these goals and objectives. During the budget work-sessions these goals and objectives were established: with the overall national and regional economic condition under a “recession” the City needed to “tighten our belts” and maintain expenditures at the current tax rate, maintain core services and no employee laid-off or furloughed. The

proposed budget does meet these goals and objectives. The proposed budget is a financial plan that realistically defines the financial structure to meet those objectives.

While the country and the region is in an economic recession, the management and staff continue in partnership with various consulting firms (Marlowe & Company and Hazen and Sawyer) to explore many funding mechanisms. The primary source of funding is by the American Recovery and Reinvestment Act (ARRA) of 2009. This Act was established by President Obama on February 17, 2009 to address the current economic conditions and to provide economic stimulus to assist in the recovery of the economy. In addition, we continue to explore many potential grant opportunities to meet the tremendous infrastructure and labor requirements for the city. The projects that we are searching for funding include: wastewater treatment and discharge capacity, potable water distribution system improvements, transportation (Slocum Road "fly-over), Public Safety personnel, and Parks and Recreation improvements.

This proposed "lean budget" with no tax increase does address the today service needs but does not fully address future planned growth issues. Those future impacts needing addressing are identified such as but not limited to are related Fire/Ems, recreation, vehicle replacements, transportation and long-term wastewater capacity funding.

While this budget is proposed by the City Manager, it is neither final nor is it necessarily a reflection on what will be approved by the Board of Commissioners. The Manager recognizes that the nation's overall economy is in recession and many of our citizens are coping with higher consumer price increases like food and fuel. The management and staff will work diligently to provide the highest level of services to the citizens during this uncertain economic period.

During our budget work sessions, the Mayor and Commissioners will review these proposed budget recommendations and provide direction as to arrive at what it considers the proper expenditure of available revenues and setting of a tax rate which is best for our City.