



Description of Revenue Source

Ad valorem taxes are paid on real and personal property located within the Village’s corporate limits. Taxes for real and personal property, excluding motor vehicles, are levied based upon the preceding January 1 valuations of the property and the tax rate established by the Village Council in the Budget Ordinance. These taxes are levied each year and are due on January 6 of the year following the levy. Real and personal property is revalued by the Moore County Tax Department at least every eight years, with the last revaluation completed in the 2019 tax year, or FY 2020.

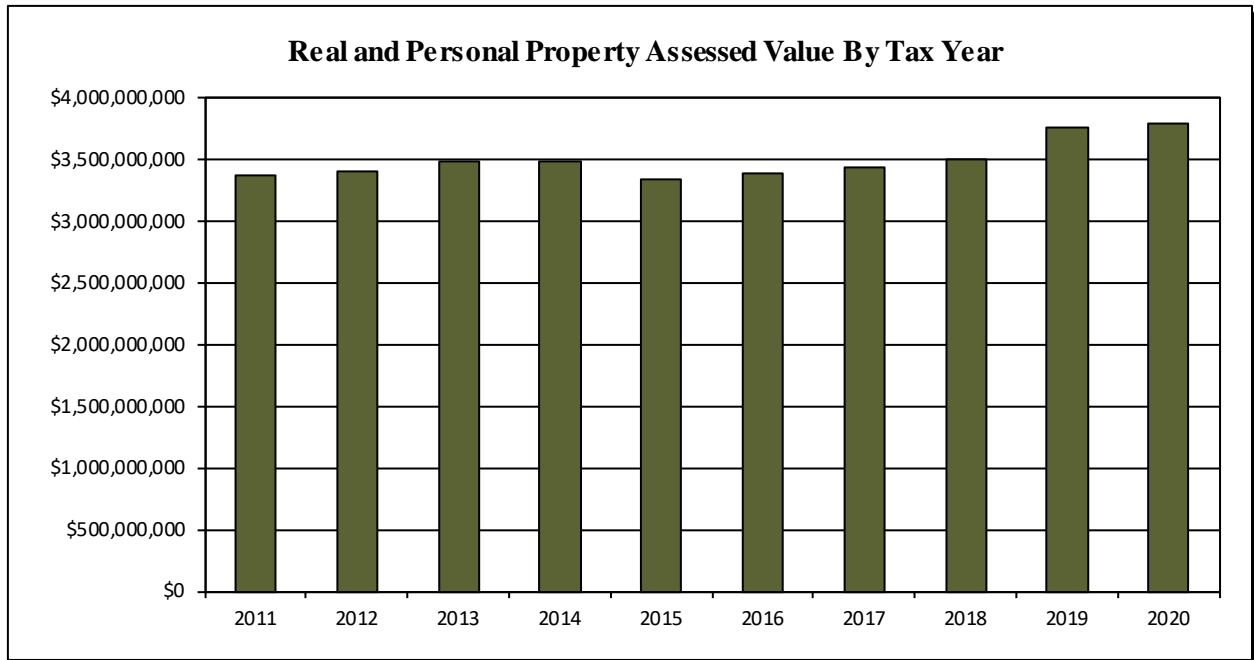
The Village contracts with the Moore County Tax Department to levy and collect ad valorem taxes on behalf of the Village. Amounts collected by Moore County on behalf of the Village are remitted to the Village on a monthly basis.

Historically, ad valorem taxes have comprised approximately 58% of all Village General Fund operating revenues. This includes current year’s collections, prior year’s collections, penalties and interest, and refunds.

Ad Valorem Taxes	FY 2019 Actual	FY 2020 Budget	FY 2020 Estimated	FY 2021 Budgeted	Percent Change
Real & Personal - Current Year	\$ 9,656,808	\$ 10,519,000	\$ 10,549,000	\$ 10,679,000	1.5%
Real & Personal - Prior Years	13,248	5,000	5,000	5,000	0.0%
Motor Vehicles - Current Year	667,468	660,000	725,000	717,000	8.6%
Motor Vehicles - Prior Years	902	2,000	2,000	2,000	0.0%
Discounts/Reliefs/Refunds	(2,624)	(5,000)	(5,000)	(5,000)	0.0%
Tax Interest	13,807	5,000	5,000	5,000	0.0%
Total Ad Valorem Tax Revenue	\$ 10,349,609	\$ 11,186,000	\$ 11,281,000	\$ 11,403,000	1.9%

Revenue Assumptions

- The ad valorem tax rate for the Village of Pinehurst will remain \$0.30 per \$100 valuation for the fiscal year ending June 30, 2021. This rate is expected to generate \$11,403,000 in ad valorem tax revenue.
- The total estimated valuation of real and personal property is \$3,803,000,000, of which \$3,564,000,000 is real property valuation and \$239,000,000 is motor vehicle valuation. The Moore County Tax Administrator provides the Village with estimates of valuation annually.
- The combined growth factor used to estimate the real property valuation for FY 2021 is 1.28%. The number of new homes constructed in the Village in FY 2019 was 122, and the Village experienced significant growth in FY 2020 with an estimated 185 new homes constructed. Based on remaining lot availability and volatility in the market related to COVID-19, we are expecting to permit 100 homes in FY 2021.
- Although it varies from year to year, we are expecting the motor vehicle valuation to increase by 1.0% next fiscal year.
- The collection rates used to estimate actual ad valorem tax revenue are 99.9% for real and personal property and 100.0% for motor vehicles. These have historically been some of the highest tax collection rates in the State.





Description of Revenue Source

Other taxes and licenses currently consists only of golf cart sticker fees.

Golf cart stickers are issued to license the use of personal golf carts on Village streets. In January of 2016, the Village converted the golf cart registration process from an annual registration to a one-time registration. This system continues to work well to accomplish the goals of the program while reducing the time and cost to issue the stickers.

Other Taxes & Licenses	FY 2019 Actual	FY 2020 Budget	FY 2020 Estimated	FY 2021 Budgeted	Percent Change
Golf Cart Stickers	\$ 2,850	\$ 1,500	\$ 2,000	\$ 2,000	33.3%
Total Other Taxes & Licenses	\$ 2,850	\$ 1,500	\$ 2,000	\$ 2,000	33.3%

Revenue Assumptions

- In January 2016, the Village adopted a one-time registration fee of \$20 for golf carts.
- The new system has proven to be more convenient for residents and less costly for the Village. The resulting revenues, however, are lower under the new system.



Description of Revenue Source

Unrestricted intergovernmental revenue consists of local option sales taxes, telecommunications tax, electricity sales tax, video programming sales tax, hold harmless sales tax, and wine and beer tax. These six state-collected local revenues make up approximately 31% of General Fund operating revenues.

The local option sales tax is levied by the Moore County Board of Commissioners and is collected by the State of North Carolina on behalf of the County. The local option sales tax rate of 2.25% consists of four separate taxes that are authorized by the North Carolina General Statutes: Article 39 at 1%, Article 40 at 0.5%, Article 42 at 0.5%, and Article 46 at 0.25%. These local government sales and use taxes are applied to sales made in the state and are allocated to each county based on various legislated formulas. The total amount allocated to Moore County is then distributed among the county and the local government jurisdictions within the county on a per capita basis, with the exception of Article 46, which remains with Moore County to support education. The State of North Carolina distributes the Village's share of these taxes to the Village on a monthly basis.

The telecommunications tax represents a 7.0% sales tax on telecommunications sales within the Village's corporate limits. The State of North Carolina distributes a percentage of this tax collected to the Village based upon the Village's past share of the old telephone franchise tax that was repealed.

In North Carolina, electricity sales are taxed at the combined general statewide sales tax rate of 7.0%. The State allocates 44% of the proceeds to cities within the state. Each city receives a franchise tax share and an ad valorem share of these proceeds. The franchise tax share is based on the electricity franchise revenues received in FY 2014. The ad valorem share is based on the city's ad valorem taxes levied as a percentage of all cities' ad valorem taxes levied. The State of North Carolina distributes this tax to municipalities on a quarterly basis.

Video programming sales tax is applied to the gross receipts of cable service and direct-to-home satellite service retailers on the video programming provided to subscribers in the State. Programming provided by, or generally considered comparable to programming provided by, a television broadcast station, regardless of the method of delivery is subject to the tax. Gross receipts are taxed at the combined general sales tax rate of 7.0%.

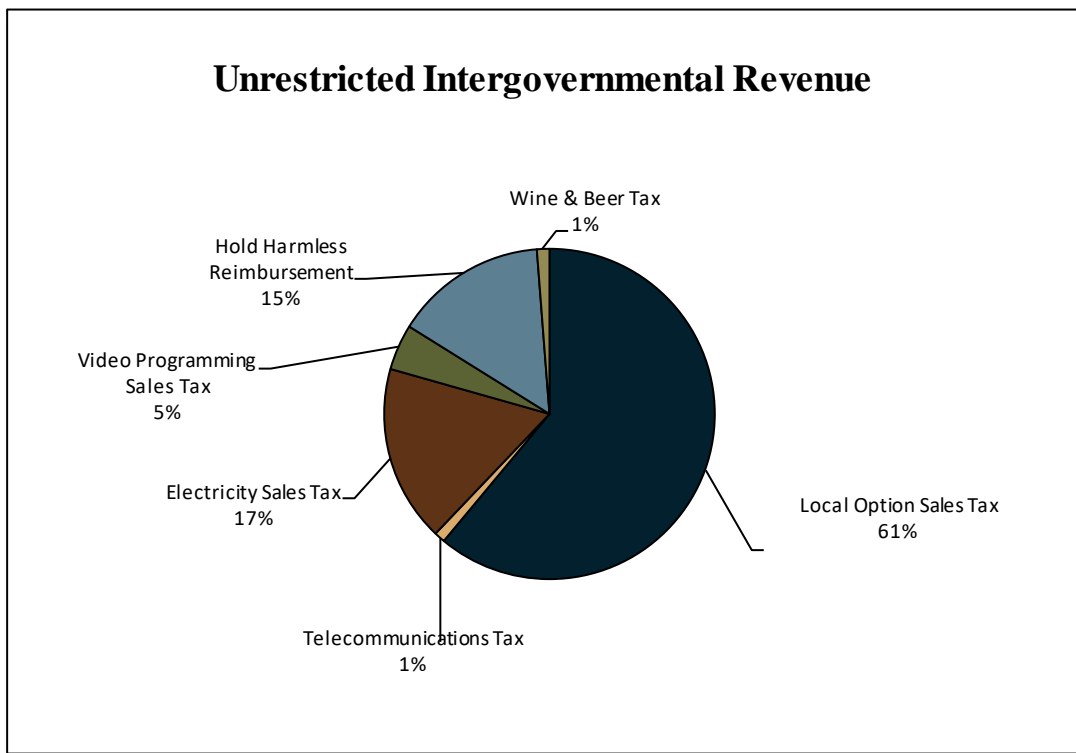
The hold harmless reimbursement is based on taxable sales made in the county and is allocated among the county and the local government jurisdictions within the county based upon a per capita basis. These hold harmless reimbursements were granted to municipalities to replace the Article 44 sales tax that was repealed as part of the Medicaid relief program for counties. The State of North Carolina distributes these funds to the Village on a monthly basis.

The wine and beer tax is levied by the State of North Carolina on the sale of malt beverages, fortified wine and unfortified wine. A percentage of the tax on the sales of these beverages that are generated from within the Village's corporate limits is distributed to the Village by the state on an annual basis.



Unrestricted Intergovernmental Revenues

Unrestricted Intergovernmental Revenue	FY 2019 Actual	FY 2020 Budget	FY 2020 Estimated	FY 2021 Budgeted	Percent Change
Local Option Sales Tax	\$ 3,634,067	\$ 3,632,000	\$ 3,882,000	\$ 3,716,000	2.3%
Telecommunications Tax	80,296	78,000	73,000	65,000	-16.7%
Electricity Sales Tax	1,044,491	1,044,000	1,053,000	1,052,000	0.8%
Video Programming Sales Tax	282,850	283,000	279,000	273,000	-3.5%
Hold Harmless Reimbursement	899,279	913,000	953,000	907,000	-0.7%
Wine & Beer Tax	72,391	73,300	73,300	74,500	1.6%
Total Unrest. Intergovernmental Rev.	\$ 6,013,374	\$ 6,023,300	\$ 6,313,300	\$ 6,087,500	1.1%





Revenue Assumptions

- Local option sales tax estimates are based on a combination of the expected statewide growth or loss factor for Articles 39, 40, and 42, adjusted for local economic conditions. The statewide rates are estimated by the North Carolina League of Municipalities (NCLM) in conjunction with economists from the North Carolina General Assembly. These estimates are communicated to all municipalities to aid them in budgeting these state-collected revenues. This year, due to the economic volatility following the COVID-19 pandemic outbreak, the NCLM provided three scenarios ranging in severity to project sales tax growth and loss. The Village utilized revenue projections most similar to the NCLM's intermediate scenario, which estimated an increase in FY 2020 of 2.2% and a decrease in FY 2021 of 2.3%. During the first three quarters of FY 2020, the Village experienced strong sales tax growth, which surpassed our original budget estimates. As a result, the FY 2021 local option sales tax revenue budget will increase by approximately 2.3% over the FY 2020 original budgeted amounts. However, we expect a decrease from our FY 2020 revised estimate.
- Telecommunications taxes are projected based upon growth assumptions provided by the NCLM. The telecommunication industry continues to experience a decline in the total number of landlines. The NCLM is projecting this revenue to decrease 7.5% in FY 2020 and 9.2% in FY 2021. Based on this forecast, the Village's telecommunications tax revenue will decrease by approximately 16.7% in FY 2021 below the FY 2020 budgeted amount, since FY 2020 revenues have not been reaching the previously budgeted levels.
- Electricity sales taxes are also projected based upon growth assumptions provided by the NCLM. This revenue is directly related to electricity usage and is impacted by the number of heating and cooling days each year. The NCLM is projecting this revenue to increase 1.7% in FY 2020 and 1.0% in FY 2021. We are increasing the electricity sales tax revenue budget for FY 2021 by approximately 0.8%.
- Thus far, distributions of video programming sales taxes for FY 2020 are lower than the amounts collected in FY 2019 as the industry continues to face competition from other video content providers. The NCLM is projecting increases in FY 2020 of 1.0% and decreases in FY 2021 of 1.7%. Based on this forecast, the Village's video programming sales tax revenue will decrease by approximately 3.5% in FY 2021 as compared to the FY 2020 budgeted amount.
- Wine and beer tax revenues are expected to increase by 1.6% to \$74,500 in FY 2021, due to increased sales.



Restricted Intergovernmental Revenues

Description of Revenue Source

Restricted intergovernmental revenues include Powell Bill funds, solid waste disposal tax, and may include other miscellaneous federal or state grants that are restricted for a specific purpose.

Powell Bill revenue is the annual appropriation from the North Carolina State Highway Fund. The Village’s annual distribution of Powell Bill revenue is calculated based upon two factors: a per capita rate and the number of street miles maintained within the Village’s corporate limits.

The State levies a \$2 per-ton “tipping tax” on municipal solid waste and construction and demolition debris that is deposited in a landfill in the state or transferred at a transfer station for disposal outside the state. Cities in North Carolina receive 18.75 percent of this State collected revenue which is distributed based on a per capita basis for solid waste management programs and services. The Village uses these funds primarily to fund its recycling program.

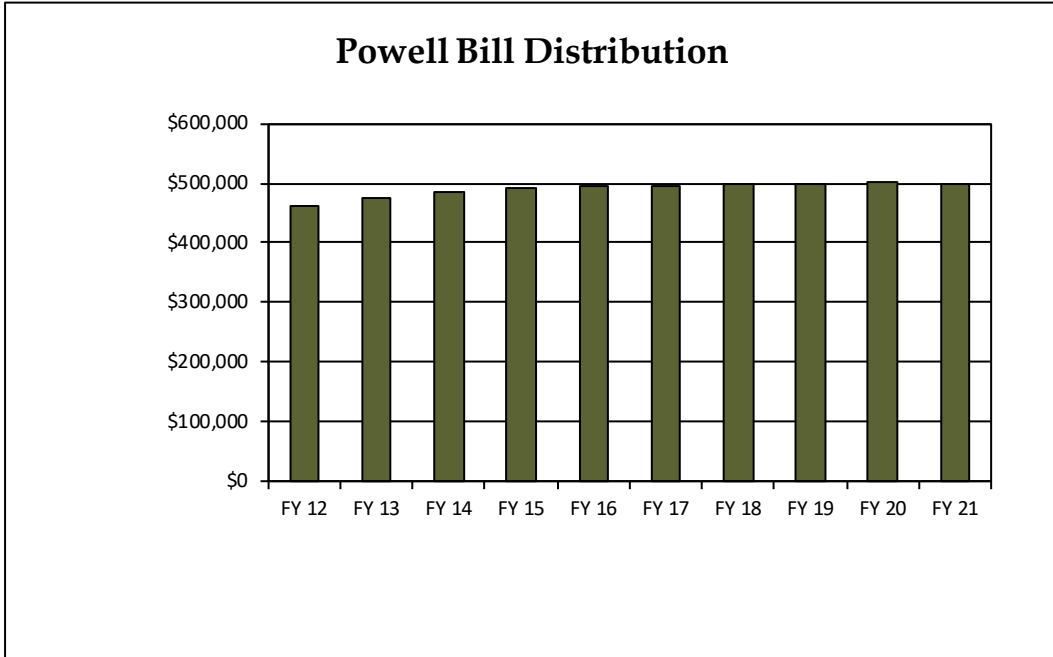
Restricted Intergovernmental Revenue	FY 2019 Actual	FY 2020 Budget	FY 2020 Estimated	FY 2021 Budgeted	Percent Change
Powell Bill	\$ 498,488	\$ 498,000	\$ 501,098	\$ 500,000	0.4%
Controlled Substance Tax Distribution	3,843	1,500	1,500	1,000	-33.3%
Solid Waste Disposal	12,448	11,600	11,600	12,600	8.6%
Other Grants	343,350	-	34,999	-	0.0%
Total Rest. Intergovernmental Rev.	\$ 858,129	\$ 511,100	\$ 549,197	\$ 513,600	0.5%

Revenue Assumptions

- The per capita rate used in the estimation of Powell Bill revenue is \$19.11, which is a 1.1% decrease from the previous year’s actual distribution rate. The street mile rate utilized to project the allocation is \$1,580 per street mile maintained, which decreased by \$11 from the FY 2020 distribution. Both of these estimated distribution rates were provided by the North Carolina League of Municipalities. These slightly lower rates, combined with a small increase in population should yield the Village an approximate increase of 0.4% of revenue over FY 2020.
- The North Carolina League of Municipalities projects that solid waste disposal revenue will decrease by 3.2% for FY 2020 and will increase by 1.0% in FY 2021. Since FY 2019 actual revenue exceeded the anticipated budget projection, we are increasing the budget for this revenue by 8.6% over the FY 2020 levels.
- The Village does not normally budget for other grant revenues until a grant award notification has been received.



Restricted Intergovernmental Revenues





Description of Revenue Source

Permits and fees consist primarily of permit and inspection fees, planning and zoning fees, and fire district revenue. There are also several other minor fees that are included in Permits and Fees revenue.

Permit and inspection fees and planning and zoning fees are established by the Village Council, reviewed annually, and modified if needed. These permits and fees are charged to builders, developers, and homeowners for new construction and additions/alterations to property. The Village’s growth is generated primarily by new residential construction; therefore it is new home construction that really drives this revenue source. In FY 2019, Village staff performed a comprehensive cost analysis of permitting, inspections, planning, and engineering fees to determine the rates necessary to cover the Village’s costs of providing these services. A majority of these planning and inspection fees had not been modified since 2004, and the analysis revealed that most of them should be increased to cover actual costs.

Fire district revenue represents funding paid to the Village by Moore County for the Village’s Fire Department to provide fire protection, rescue services, and medical first response in a geographic district outside of the Village limits. The Village also contracts with Taylortown, a neighboring town, to provide fire protection services under an annual contract. Both of these funding sources are included in fire district revenue. Moore County provides funding through a formula that is calculated based on the level of fire service provided. The amount of funds paid to the Village by Taylortown is based upon the taxable value in Taylortown and the tax rate established by Moore County that is applied to the real and personal property in the unincorporated areas of the county. Moore County remits payment to the Village monthly while Taylortown pays quarterly.

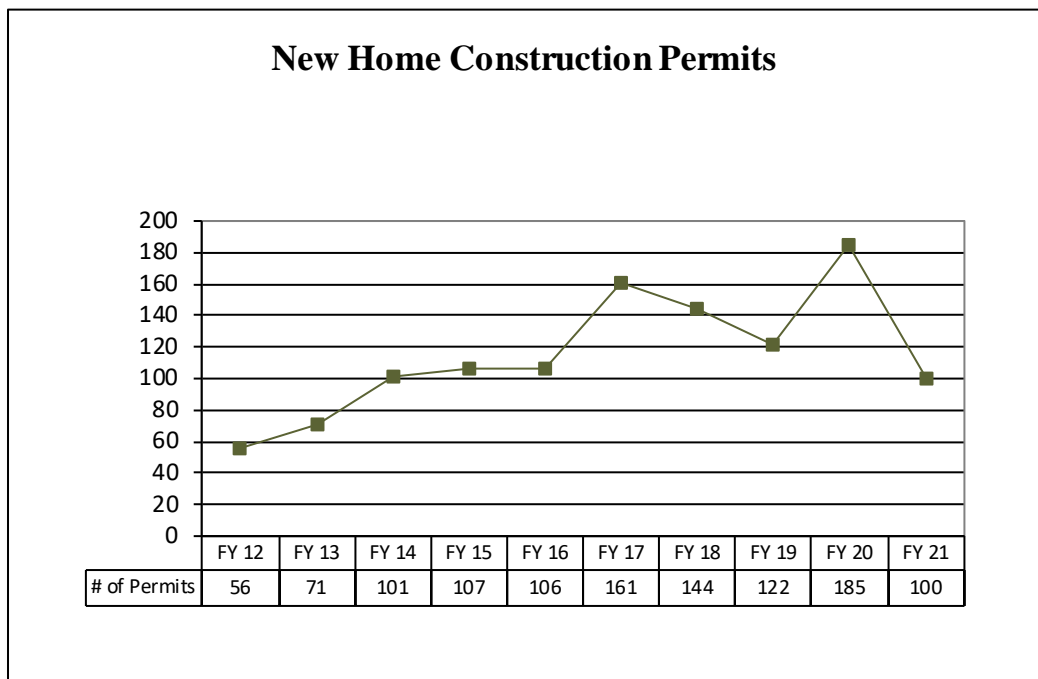
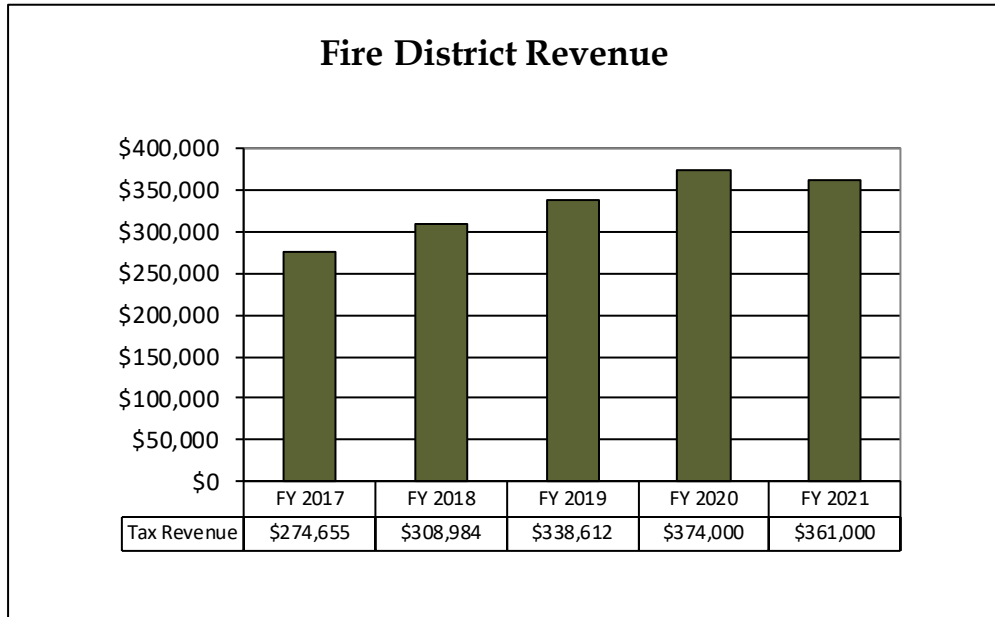
Permits & Fees	FY 2019 Actual	FY 2020 Budget	FY 2020 Estimated	FY 2021 Budgeted	Percent Change
Permit & Inspection Fees	\$ 372,950	\$ 250,000	\$ 290,000	\$ 149,000	-40.4%
Planning & Zoning Fees	71,933	300,000	260,000	115,000	-61.7%
Fire District Revenue	338,612	374,000	360,000	361,000	-3.5%
Other Fees	11,275	1,700	2,850	1,600	-5.9%
Total Permit & Fees	\$ 794,770	\$ 925,700	\$ 912,850	\$ 626,600	-32.3%

Revenue Assumptions

- Permit and inspection fees and planning and zoning fees for residential construction are both expected to decrease in FY 2021. The number of new homes being constructed is expected to decrease from approximately 185 homes in FY 2020 to 100 in FY 2021 due to the depletion of buildable lots and the outbreak of the coronavirus in FY 2020. This 46% reduction in expected home construction is comparable to the anticipated reduction in related permit and inspection fees and planning and zoning fees revenue in FY 2021.



- Fire district revenues are expected to reduce by \$13,000, or 3.5%, over the FY 2020 budget. In FY 2020, Moore County elected not to increase the fire district tax rate according to the planned phased-in implementation of the County’s fire protection funding formula. Since it is not certain whether the County will continue increasing the rate per their original plan, we based our projections on the current rate. The County-wide fire district tax rate affects our County distribution and our fire services contract with the Town of Taylortown.





Description of Revenue Source

As allowed by state statute, the Village of Pinehurst may assess property owners for expenditures that directly benefit specific property owners. Currently, the Village has only one active assessment. The Village assessed property owners for improvements made to dams in FY 2007 in the Municipal Service District (MSD). The Village expects to collect \$5,170 for the final installment of this 15-year assessment in FY 2021. In FY 2020, the final installment of the Cotswold community stormwater project assessment was received.

Assessments	FY 2019 Actual	FY 2020 Budget	FY 2020 Estimated	FY 2021 Budgeted	Percent Change
Assessments	\$ 29,371	\$ 24,200	\$ 24,200	\$ 5,170	-78.6%
Total Assessments	\$ 29,371	\$ 24,200	\$ 24,200	\$ 5,170	-78.6%



Stormwater improvement project



Description of Revenue Source

Sales and services revenue consists primarily of three separate revenue sources for Parks & Recreation fees and charges. The first source is Harness Track revenue for horse stall and other facility rentals, as well as revenues generated from shows and special events held on the property. The Harness Track is owned and operated by the Village and is the oldest continuously operating equine sports facility in North Carolina.

The second primary revenue source in this category is revenue generated from the Village’s Fair Barn. The Fair Barn is the oldest surviving early twentieth-century fair exhibition hall in North Carolina. It was built in 1917 and has been completely renovated and serves as a multi-purpose community gathering place. Revenue consists of rental fees and admission fees for Village-sponsored special events.

The third major category of sales and services revenue is recreation fees. These are the fees charged to participants in programs, athletic leagues, and events sponsored by the Recreation Department, rental fees charged for park facilities, and event sponsorships.

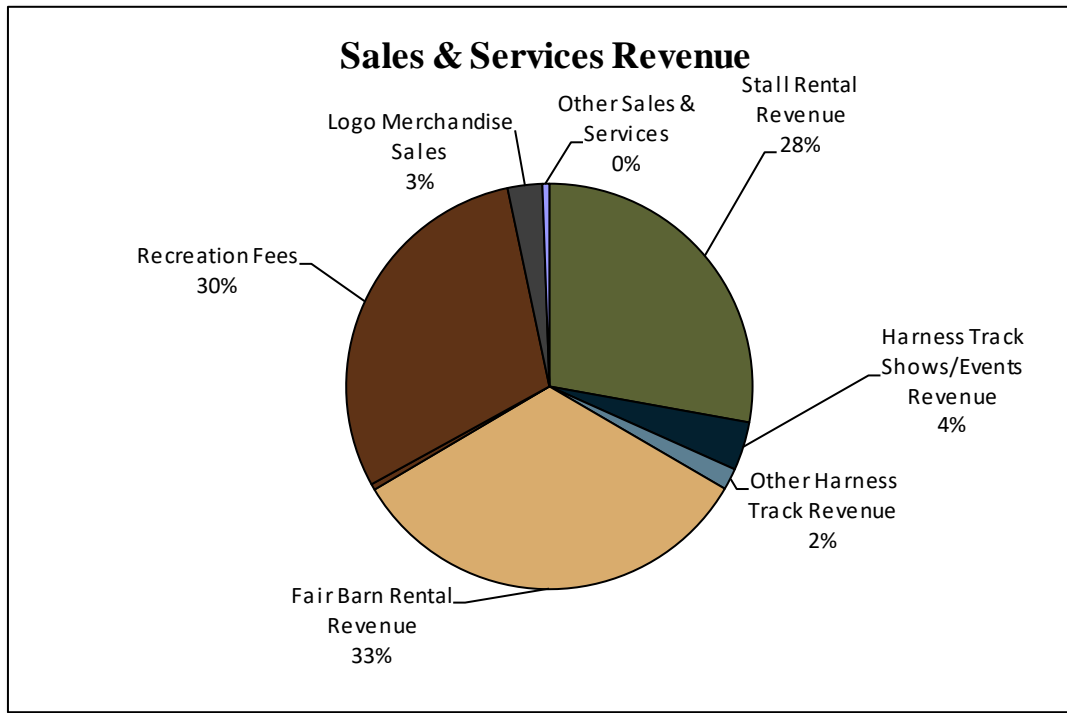
Sales & Services	FY 2019 Actual	FY 2020 Budget	FY 2020 Estimated	FY 2021 Budgeted	Percent Change
Stall Rental Revenue	\$ 191,459	\$ 211,000	\$ 173,000	\$ 202,000	-4.3%
Harness Track Shows/Events Revenue	39,510	33,000	27,000	28,000	-15.2%
Other Harness Track Revenue	12,252	12,200	12,200	12,400	1.6%
Fair Barn Rental Revenue	232,289	230,000	230,000	240,000	4.3%
Fair Barn Shows/Events Revenue	3,535	3,000	3,500	3,500	16.7%
Recreation Fees	185,188	208,500	200,500	215,500	3.4%
Logo Merchandise Sales	21,656	20,000	20,000	20,000	0.0%
Other Sales & Services	4,054	3,000	6,000	4,000	33.3%
Total Sales & Services	\$ 689,943	\$ 720,700	\$ 672,200	\$ 725,400	0.7%

Revenue Assumptions

- Harness Track stall rental revenues are projected to decrease by 4.3% for FY 2021 due to the lower occupancy rates experienced in FY 2020.
- Harness Track shows and events revenues that have been trending downward over the past few years are expected to decrease 15.2% in FY 2021 due to fewer rentals of the facilities in FY 2020.
- Fair Barn rental revenues are expected to increase 4.3% from FY 2020 budgeted levels due in part to revised Fair Barn fees that were adopted by Council in FY 2020 with an effective date of July 1, 2020. The new fee structure uses a package rate methodology, bringing rental rates in line with other competing venues in the industry.
- Recreation fees are expected to increase by 3.4%. We anticipate increasing participation for FY 2021 in recreation and athletic programs with the new Community Center opening in FY 2020.
- The Village began selling logo merchandise in FY 2017 to expand overall awareness of the Village’s brand. Logo merchandise sales have remained constant over the last couple years, and the same is expected for FY 2021.



The distribution of sales and services revenue by source is depicted in the following graph.





Description of Revenue Source

Other revenues include Alcoholic Beverage Control (ABC) revenues and other miscellaneous revenues. ABC revenue is based on a percentage of the sale of mixed beverages from local merchants and the net profits from counter sales of alcoholic beverages in Pinehurst at ABC Stores. Other miscellaneous revenues include sales of surplus assets, donations made to the Village, fees generated by the Police Department, and various other minor fees.

Other Revenues	FY 2019 Actual	FY 2020 Budget	FY 2020 Estimated	FY 2021 Budgeted	Percent Change
ABC Revenues	\$ 166,697	\$ 157,700	\$ 167,000	\$ 179,800	14.0%
Other Miscellaneous Revenues	166,529	1,092,180	1,100,780	89,980	-91.8%
Total Other Revenues	\$ 333,226	\$ 1,249,880	\$ 1,267,780	\$ 269,780	-78.4%

Revenue Assumptions

- ABC revenue is projected to increase by 14.0% for FY 2021 due to strong growth in local store profits in the current year.
- Other miscellaneous revenues reflect a significant decrease due to the return to the Village of \$1 million from the Given Memorial Library capital campaign trust account in FY 2020. The funds were returned to the Village in FY 2020 due to the library’s inability to meet its requirements under the agreement. Excluding this one-time revenue source, other miscellaneous revenues are expected to decrease slightly over the budgeted levels for FY 2020.



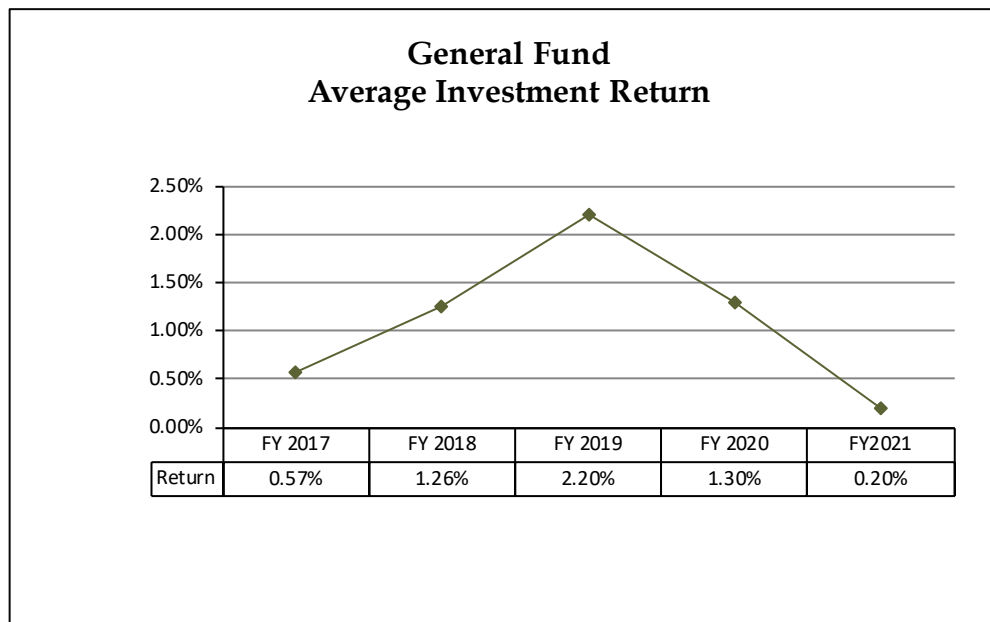
Description of Revenue Source

Investment income includes the return earned on cash and investment balances. Interest is earned on the cash balances invested with the North Carolina Capital Management Trust (NCCMT), an SEC-registered (2a7) money market mutual fund, bank certificates of deposit, U. S. Treasury and Agency securities, and high grade commercial paper.

Investment Income	FY 2019 Actual	FY 2020 Budget	FY 2020 Estimated	FY 2021 Budgeted	Percent Change
Investment Income	\$ 254,921	\$ 180,000	\$ 189,000	\$ 25,400	-85.9%
Total Investment Income	\$ 254,921	\$ 180,000	\$ 189,000	\$ 25,400	-85.9%

Revenue Assumptions

- Investment income is estimated to be reduced by 85.9% as investment rates have decreased and are expected to remain low throughout FY 2021. The average rate of return expected in FY 2021 is 0.2%.
- In FY 2017, the Village began investing in the NCCMT Term Portfolio, which increased investment yields in prior years without significantly impacting liquidity.





Description of Revenue Source

Revenue from fund balance appropriations is the use of equity (net position), which has been accumulated from previous fiscal years, to pay for current fiscal year expenditures.

Fund Balance Appropriations	FY 2019 Actual	FY 2020 Budget	FY 2020 Estimated	FY 2021 Budgeted	Percent Change
Fund Balance Appropriated	\$ -	\$ 1,049,416	\$ -	\$ 1,603,467	52.8%
Total Fund Balance Appropriations	\$ -	\$ 1,049,416	\$ -	\$ 1,603,467	52.8%

Revenue Assumptions

- For FY 2021 we have appropriated \$1,603,467 of the Village’s fund balance as a revenue source. Historically, operating revenues come in at 101% of budget while operating expenditures typically fall 7% below budget. The amount of fund balance appropriated this year is slightly higher than this budget variance amount. If historical trends continue for FY 2021, we will reduce fund balance by approximately \$85,000, which will result in a projected ending fund balance of 46.0% of General Fund expenditures. This is above Council’s adopted policy range of 30%-40%, primarily due to \$1 million returned from the Given Memorial Library capital campaign to the Village in FY 2020. Excluding this \$1 million, fund balance as a percentage of expenditures would be approximately 41.3%. This positions the Village to address significant future projects or to maintain service levels during a time of economic uncertainty.