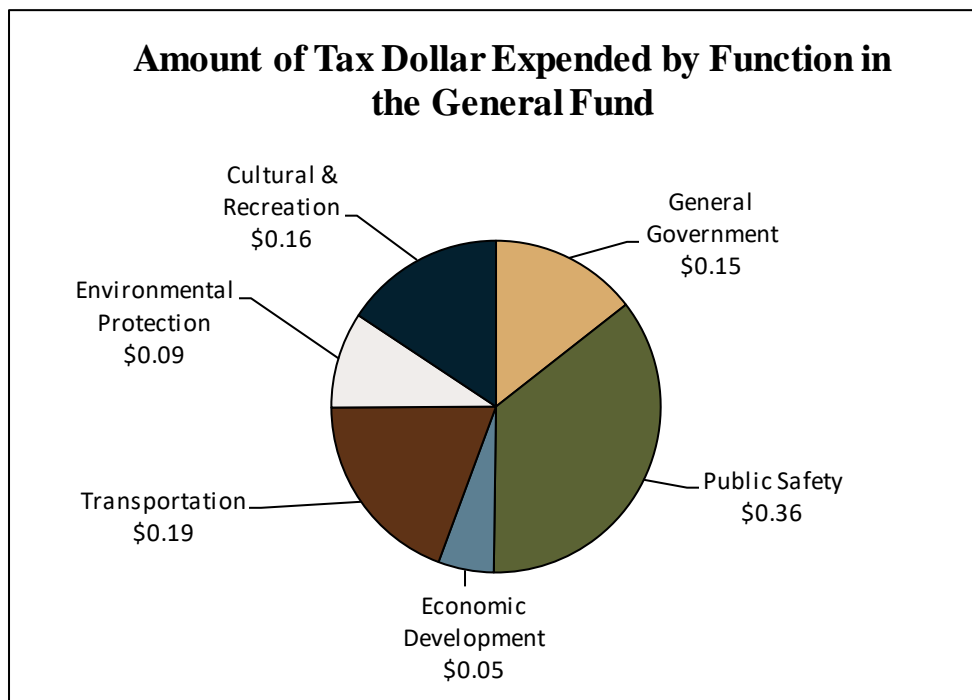




Description

The General Fund is used to account for resources traditionally associated with government which are not required legally, or by sound financial management, to be accounted for in another fund. The following functional areas are included in the General Fund:

- General Government
- Public Safety
- Transportation
- Environmental Protection
- Economic and Physical Development
- Cultural and Recreation
- Debt Service

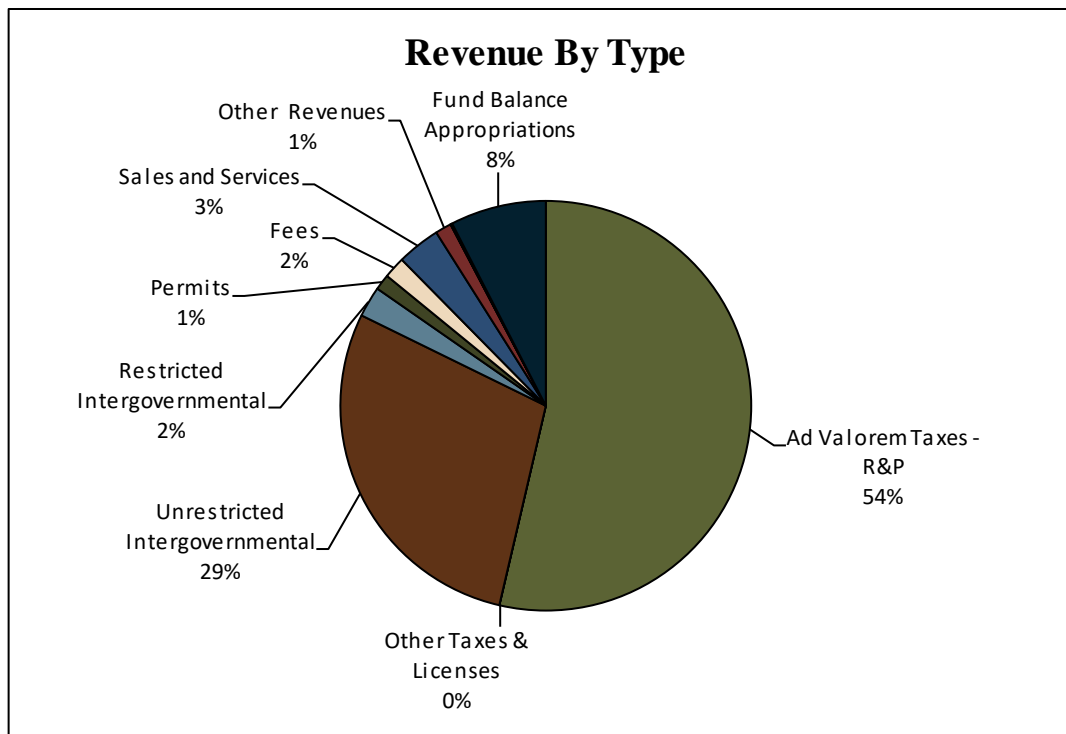




General Fund Summary

The major revenues as well as other financing sources budgeted by the Village of Pinehurst are summarized in the table and chart below. Ad valorem taxes account for approximately 58% of the Village of Pinehurst's total operating revenues. When fund balance appropriated is included, ad valorem taxes equal 54% of total revenues.

Revenues by Type	FY 2019 Actual	FY 2020 Budget	FY 2020 Estimated	FY 2021 Budgeted	Percent Change
Ad Valorem Taxes	\$ 10,349,609	\$ 11,186,000	\$ 11,281,000	\$ 11,403,000	1.9%
Other Taxes & Licenses	2,850	1,500	2,000	2,000	33.3%
Unrestricted Intergovernmental Rev.	6,013,374	6,023,300	6,313,300	6,087,500	1.1%
Restricted Intergovernmental Rev.	858,129	511,100	549,197	513,600	0.5%
Permits & Fees	794,770	925,700	912,850	626,600	-32.3%
Sales & Services	689,943	720,700	672,200	725,400	0.7%
Assessments	29,371	24,200	24,200	5,170	-78.6%
Other Revenues	333,226	1,249,880	1,267,780	269,780	-78.4%
Investment Income	254,921	180,000	189,000	25,400	-85.9%
Operating Revenues	19,326,193	20,822,380	21,211,527	19,658,450	-5.6%
Fund Balance Appropriations	-	1,049,416	-	1,603,467	52.8%
Total Revenues	\$ 19,326,193	\$ 21,871,796	\$ 21,211,527	\$ 21,261,917	-2.8%
Per Capita	\$ 1,154	\$ 1,279	\$ 1,240	\$ 1,227	

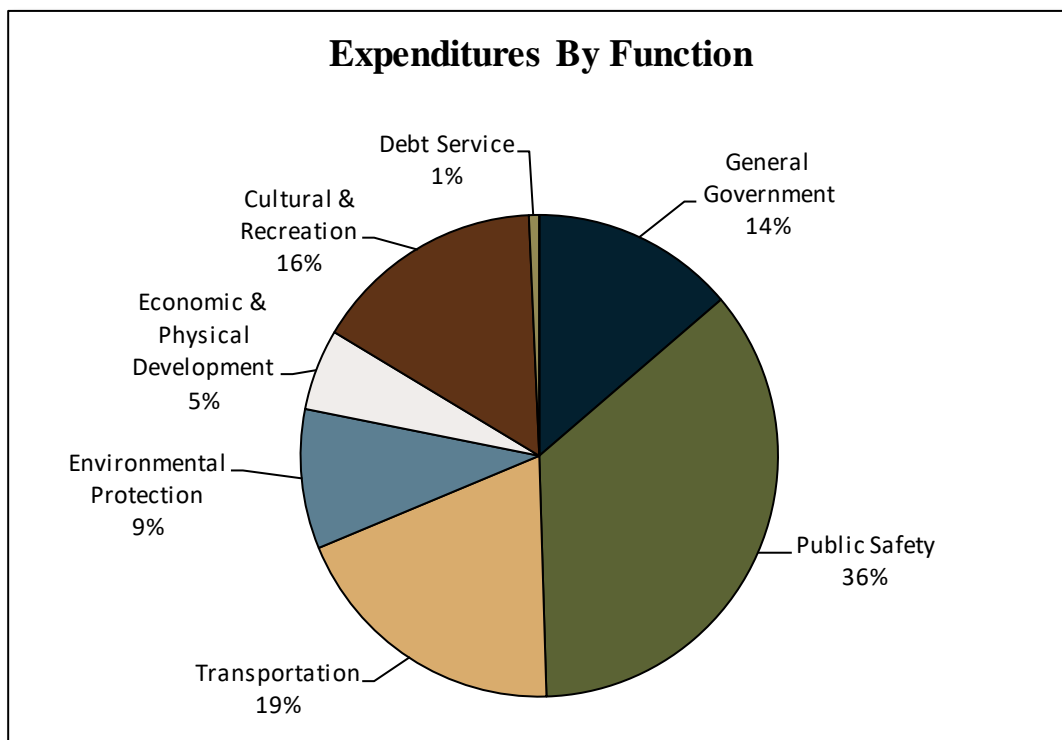




General Fund Summary

While the Village of Pinehurst's budget contains multiple departments and divisions, each conducts Village government activities as part of a functional area. For example, the Fire Department and the Police Department are part of the functional area known as Public Safety, as both share the common theme of protecting citizens. Grouping activities by these themes (functions), allows the decision-making process to be managed at a broader, more comprehensive level. The following table and chart present the trends for all of the Village of Pinehurst's different functions.

Expenditures by Function	FY 2019 Actual	FY 2020 Budget	FY 2020 Estimated	FY 2021 Budgeted	Percent Change
General Government	\$ 2,331,905	\$ 2,775,422	\$ 2,602,084	\$ 2,928,351	5.5%
Public Safety	6,052,992	7,624,606	7,234,802	7,600,346	-0.3%
Transportation	3,625,359	3,770,160	3,635,518	4,089,093	8.5%
Environmental Protection	1,510,935	1,931,473	1,908,432	1,991,770	3.1%
Economic & Physical Dev	1,010,775	1,205,308	1,172,155	1,160,670	-3.7%
Cultural & Recreation	2,675,875	3,252,700	2,960,711	3,343,520	2.8%
Debt Service	319,052	312,127	312,127	148,167	-52.5%
Contingency	-	1,000,000	-	-	-100.0%
Expenditures	17,526,893	21,871,796	19,825,829	21,261,917	-2.8%
Other Financing Uses	4,569,165	-	-	-	0.0%
Total Expenditures	\$ 22,096,058	\$ 21,871,796	\$ 19,825,829	\$ 21,261,917	-2.8%
Per Capita	\$ 1,319	\$ 1,279	\$ 1,159	\$ 1,227	





General Fund Summary

The Village also summarizes expenditures by type and department to facilitate further analysis of expenditure trends. The following tables provide a summary of expenditures by expenditure type and department for Fiscal Year 2021.

Expenditures by Type	FY 2019 Actual	FY 2020 Budget	FY 2020 Estimated	FY 2021 Budgeted	Percent Change
Salaries & Benefits	\$ 9,939,521	\$ 11,381,570	\$ 10,702,571	\$ 11,766,750	3.4%
Operating	6,280,067	8,163,362	6,796,394	7,123,800	-12.7%
Capital	988,253	2,014,737	2,014,737	2,223,200	10.3%
Debt Service	319,052	312,127	312,127	148,167	-52.5%
Other Financing Uses	4,569,165	-	-	-	0.0%
Total Expenditures	\$ 22,096,058	\$ 21,871,796	\$ 19,825,829	\$ 21,261,917	-2.8%

Expenditures by Department Totalled by Function	FY 2019 Actual	FY 2020 Budget	FY 2020 Estimated	FY 2021 Budgeted	Percent Change	FY 2021 % Total
General Government						
Governing Body	\$ 107,832	\$ 147,150	\$ 120,018	\$ 146,400	-0.5%	0.7%
Administration	1,223,617	1,409,132	1,366,298	1,462,971	3.8%	6.9%
Finance	592,981	672,060	657,774	716,370	6.6%	3.4%
HR	407,475	547,080	457,994	602,610	10.2%	2.8%
Total General Government	2,331,905	2,775,422	2,602,084	2,928,351	5.5%	13.8%
Public Safety						
Police	3,083,037	3,606,544	3,399,524	3,573,890	-0.9%	16.8%
Fire	2,744,231	3,699,600	3,526,546	3,686,846	-0.3%	17.3%
Inspections	225,724	318,462	308,732	339,610	6.6%	1.6%
Total Public Safety	6,052,992	7,624,606	7,234,802	7,600,346	-0.3%	35.7%
Transportation						
Public Services Admin.	467,518	634,051	616,684	622,173	-1.9%	2.9%
Streets & Grounds	2,057,905	2,035,609	1,918,334	2,366,420	16.3%	11.1%
Powell Bill	1,099,936	1,100,500	1,100,500	1,100,500	0.0%	5.2%
Total Transportation	3,625,359	3,770,160	3,635,518	4,089,093	8.5%	19.2%
Environmental Protection						
Solid Waste	1,510,935	1,931,473	1,908,432	1,991,770	3.1%	9.4%
Total Environmental Protection	1,510,935	1,931,473	1,908,432	1,991,770	3.1%	9.4%
Economic & Physical Dev.						
Planning	827,877	836,658	821,463	982,390	17.4%	4.6%
Community Development	182,898	368,650	350,692	178,280	-51.6%	0.8%
Total Economic & Physical Dev.	1,010,775	1,205,308	1,172,155	1,160,670	-3.7%	5.5%
Cultural & Recreation						
Recreation	1,603,035	1,936,949	1,729,032	2,109,687	8.9%	9.9%
Library	125,000	195,000	195,000	150,000	-23.1%	0.7%
Harness Track	605,025	682,398	624,757	693,628	1.6%	3.3%
Fair Barn	342,815	438,353	411,922	390,205	-11.0%	1.8%
Total Cultural & Recreation	2,675,875	3,252,700	2,960,711	3,343,520	2.8%	15.7%
Debt Service	319,052	312,127	312,127	148,167	-52.5%	0.7%
Contingency	-	1,000,000	-	-	-100.0%	0.0%
Total Expenditures	17,526,893	21,871,796	19,825,829	21,261,917	-2.8%	
Other Financing Uses (OFU)	4,569,165	-	-	-	0.0%	0.0%
Total Expenditures & OFU	\$ 22,096,058	\$ 21,871,796	\$ 19,825,829	\$ 21,261,917	-2.8%	100.0%



General Fund Summary

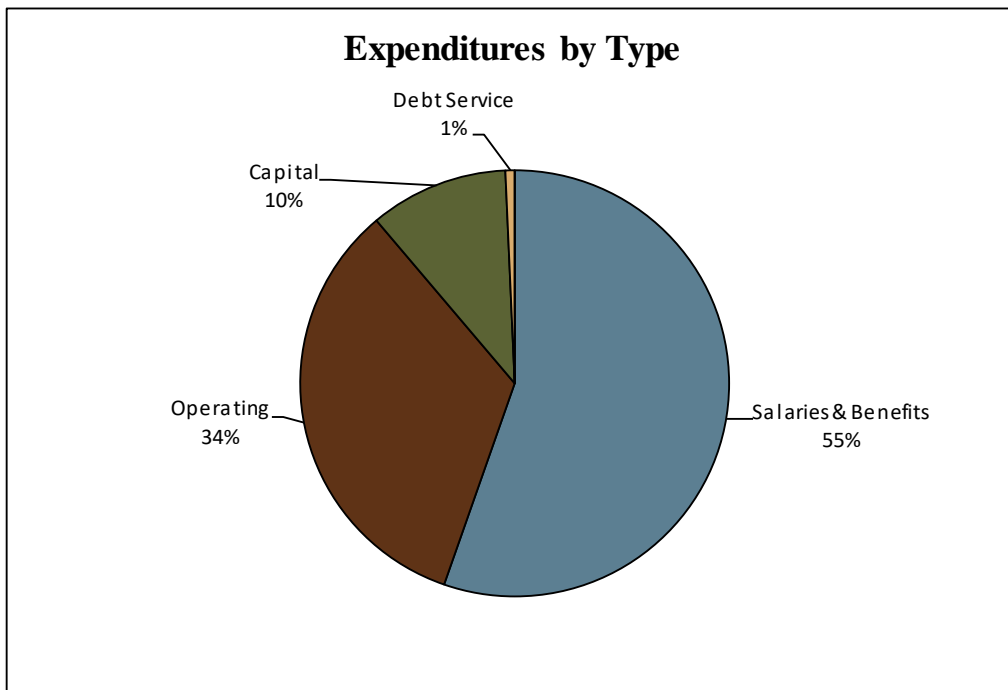
The General Fund reflects the recent economic uncertainty surrounding the COVID-19 pandemic outbreak. While certain revenue sources such as local option sales tax and investment income are particularly susceptible to economic downturns, other revenue sources such as ad valorem taxes and Powell Bill funding are expected to remain stable. The Village’s state-collected utility taxes have leveled off and started to decline slightly as consumers move away from traditional landline telephone and cable television services.

The proposed General Fund budget for FY 2021 is \$21,261,917, a decrease of approximately 3% from the previous year’s amended budget

The following table indicates the Village’s results from operations before any other financing sources or uses for the past five years:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Revenues Over (Under) Expenditures</u>
6/30/2016 Actual	\$17,230,883	\$16,130,641	\$1,100,242
6/30/2017 Actual	17,979,981	16,672,223	1,307,758
6/30/2018 Actual	18,215,425	17,862,691	352,734
6/30/2019 Actual	19,326,193	17,526,893	1,799,300
6/30/2020 Estimated	21,211,527	19,825,829	1,385,698
6/30/2021 Budgeted	19,658,450	21,261,917	(1,603,467)

After adding appropriated fund balance of \$1,603,467 to revenues, the Village’s FY 2021 recommended budget is balanced in accordance with North Carolina General Statutes.





Revenue Highlights

The approved budget for FY 2021 represents a 3% decrease from the FY 2020 amended budget. Operating revenues are estimated to decrease by approximately 5.6% over FY 2020, due in part to the return of \$1 million from the Given Memorial Library capital campaign trust account in FY 2020. The recommended budget as presented results in a per capita expenditure of \$1,227 based on a projected population of 17,331.

The projected ad valorem tax revenues, which represent roughly 58% of total operating revenues, are expected to grow by 1.9% over the prior year. This is due to the increase in single-family home construction and commercial construction. The proposed budget calls for the current property tax rate to remain at 30 cents per \$100 of property valuation. This rate is expected to generate \$11,403,000 in ad valorem revenues.

Unrestricted intergovernmental revenues, which are distributed by the North Carolina Department of Revenue, are overall expected to increase by 1.1% over FY 2020. Local option sales taxes, which provide approximately 19% of the Village's operating revenues, are expected to increase by 2.3% over the previous year's original budget. During the first three quarters of FY 2020, the Village experienced strong sales tax growth due to an expanding economy and the collection of sales tax on most online transactions; however, in March 2020, the COVID-19 outbreak sparked an economic downturn. While the budget-to-budget sales tax revenue variance is an increase, we expect a decrease in the FY 2021 budget from our FY 2020 revised estimate. Utility sales taxes are expected to change over the prior year at varying rates. While electricity sales taxes are expected to remain stable, telecommunications and video programming taxes are likely to decline as consumers are selecting alternative telephone and television services.

Permits and fees are expected to decrease by 32.3% in FY 2021 over the prior year budgeted levels. This decrease is primarily due to the anticipated drop in new home permits and slowed commercial projects due to the depletion of buildable lots within Village limits and the unknown economic effects of the COVID-19 pandemic on new construction. We project approximately 185 homes will be constructed in FY 2020 and only 100 homes in FY 2021, a 46% reduction.

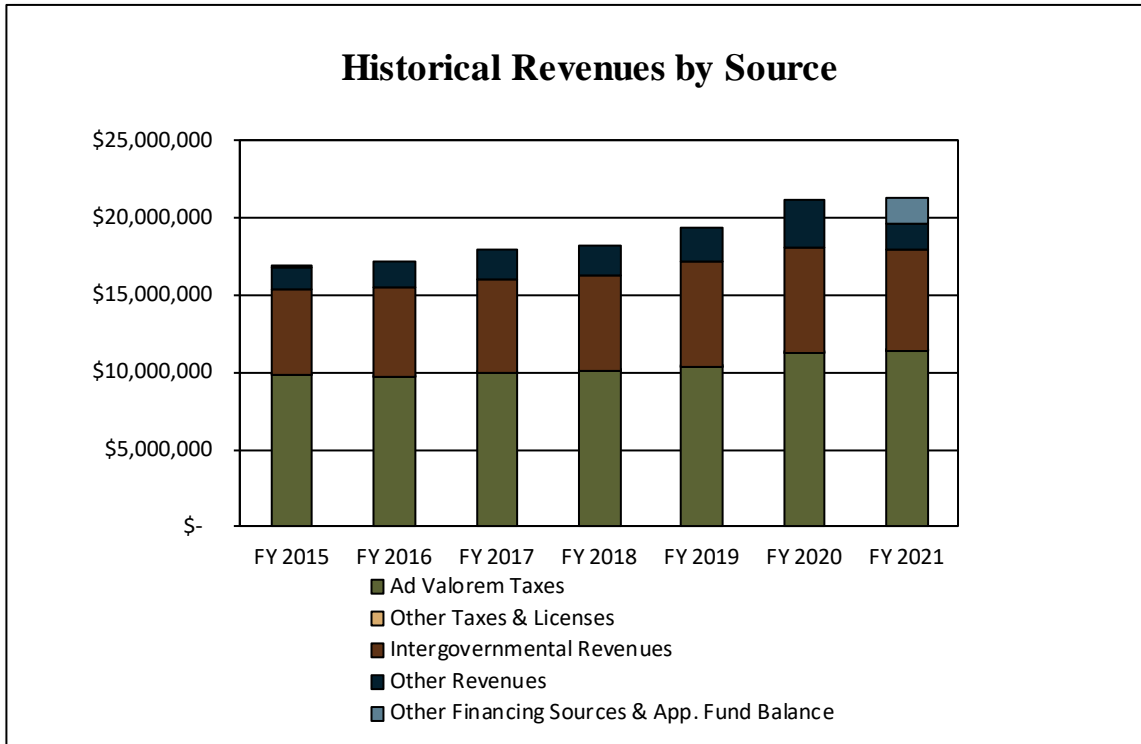
Assessment revenues are expected to generate \$5,170 for FY 2021. This includes the final year of the Municipal Service District (MSD) assessment for repairs made to improve dams in FY 2007.

Sales and services revenues, which are derived from various Parks and Recreation fees, are expected to increase overall by 0.7% over prior year levels. The largest increase includes Fair Barn rentals, which are 4.3% higher than the prior year budget. This increase is primarily due to the newly revised Fair Barn fees adopted by Council with an effective date of July 1, 2020. The new fee structure includes a package rate rental for Fair Barn amenities, instead of a per-item fee. Recreation fees are also expected to increase modestly with additional program offerings at the new Community Center. Harness Track stall revenues, however, are down 4.3% due to lower occupancy rates in FY 2020. Harness Track shows and events revenues are also down 15.2% due to fewer rentals of the facilities.

Other revenues are planned to decrease by 78.4% compared to the prior year. The primary factor contributing to the decrease is the return of \$1 million included in the FY 2020 budget from the Given Memorial Library capital campaign trust account due to the library's inability to meet fundraising requirements under the agreement.



Investment income is estimated to decrease by 85.9% as interest rates have significantly dropped in the last quarter of FY 2020 due to the Federal Reserve’s response to the market after the COVID-19 coronavirus outbreak. As the economy is very volatile, the average rate of return expected in FY 2021 is 0.2%. This is a significant decrease from the expected average rate of return in FY 2020 of 1.3%.



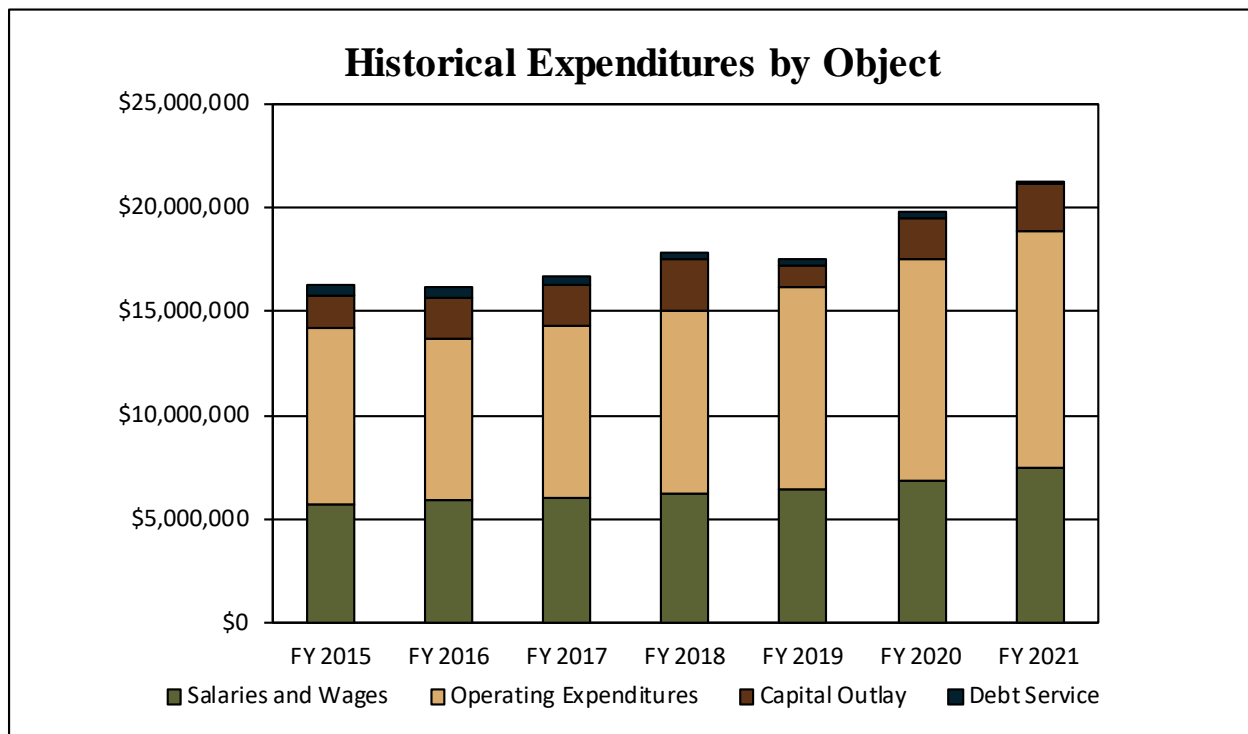


Expenditure Highlights

Salaries and benefits are expected to increase by 3.4% in FY 2021. This is affected by a cost of living adjustment of 1.8%, an average merit increase of 2%, and a projected 10% increase in group insurance. In FY 2021, there are 1.25 new employee full-time equivalents (FTE) added to the budget for the following positions: a new Transportation Planner for the Planning Department (1 FTE) and the existing 30-hour Human Resources Assistant position is increased to a full-time Human Resources Specialist (.25 FTE).

Village department heads are focused on achieving the strategic objectives and performance targets established by the Council that are reflected on the Balanced Scorecard (BSC). Current year operating expenditures include funding for strategic initiatives supporting the Council’s goals and objectives as listed in the *Strategic Priorities* section of this document. The most significant initiative includes developing small area plans for the Village Place/Rattlesnake Trail corridor and Pinehurst South/Highway 5 commercial area. Contingency funding of \$1 million was set aside in FY 2020 operating expenditures as a budgetary technique to return the \$1 million from the Given Memorial Library capital campaign trust account to fund balance. Excluding the \$1 million contingency appropriation in last year’s budget, operating expenditures decreased by 0.6%. This minor change is reflective of various increases and offsetting decreases throughout the budget.

Capital spending in the General Fund increased by 10.3% compared to the previous year. This increase is primarily due to the inclusion of \$625,000 for the replacement of a fire engine, \$250,000 for streetscape improvements and \$250,000 for construction of pedestrian facilities. Other significant items in the current plan include storm drainage projects, additional structured parking at Cannon Park, and a solid waste vehicle replacement.





Fund Balance

Fund balance refers to the difference between current financial assets and liabilities reported in a fund. It is also referred to as surplus funds. The North Carolina Local Government Commission recommends that units of government retain an amount of unreserved fund balance in the General Fund of at least equal to 8% of appropriations of the fund. The Village Council has a financial policy recommending that the total fund balance in the General Fund remain between 30% and 40% of budgeted expenditures to avoid cash flow interruptions, generate investment income, eliminate the need for short-term borrowing, and have a reserve available for emergencies or opportunities.

The following schedules outline the percentage increase or decrease for the Village’s General Fund fund balance for the FY 2021 budget and three prior fiscal years. The large decrease in FY 2019 is due to the transfer of funds to the Community Center Capital Project Fund for facility construction. The large increase in FY 2020 includes \$1 million returned to the Village from the Given Memorial Library capital campaign trust account.

Fund Balance	FY 2018 Actual	FY 2019 Actual	FY 2020 Estimated*	FY 2021 Budgeted*
Beginning	\$ 10,633,102	\$ 10,641,838	\$ 7,871,973	\$ 9,856,793
Ending	10,641,838	7,871,973	9,856,793	9,772,249
Increase/(Decrease)	8,736	(2,769,865)	1,984,820	(84,544)
% Change	0.1%	-26.0%	25.2%	-0.9%
% of Expenditures	59.6%	44.9%	45.1%	46.0%

* Assumes an estimated budget-to-actual variance for revenues and expenditures

N. C. General Statutes require that municipal budgets be balanced. They also require that expenditure budgets not be overspent, even by a small amount. A common way that municipalities deal with these requirements is to over-budget expenditures slightly and appropriate some of their savings (fund balance) as an off-setting revenue source. Revenues are conservatively estimated as well. For FY 2021, we have appropriated \$1,603,467 of the Village’s fund balance as a revenue source.

Fund balance is estimated to be \$9,856,793 at June 30, 2020. This is 45.1% of the budgeted FY 2020 expenditures of \$21,871,796. The Village’s fund balance policy is to maintain 30%-40% of expenditures in fund balance. Fund balance at June 30, 2021 is estimated to be \$9,772,249 or 46.0% of budgeted expenditures. Fund balance is estimated above the policy range primarily due to the \$1 million returned library capital contribution from FY 2020. Without this \$1 million, fund balance as a percentage of expenditures would be approximately 41.3%. While this is slightly above Council’s adopted policy range, it positions the Village well to address significant future projects that are expected to arise in the five-year planning period or to maintain service levels during a time of economic uncertainty.

