



### Description of Revenue Source

Ad Valorem Taxes are taxes 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 2015 tax year, or FY 2016.

In Fiscal Year 2014, North Carolina changed its billing and collection process to a “Tax-and-Tag-Together” system. Under this system, tax bills for vehicles are included with an “invitation to renew” vehicle registration. Vehicle taxes are collected by the Department of Motor Vehicles at the same time as the vehicle registration. The motor vehicle tax portion is then distributed to counties by the Department of Transportation on the 10<sup>th</sup> of each month and further distributed to municipalities.

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 53% of all Village General Fund revenues. This includes current year’s collections, prior year’s collections, penalties and interest, and refunds.

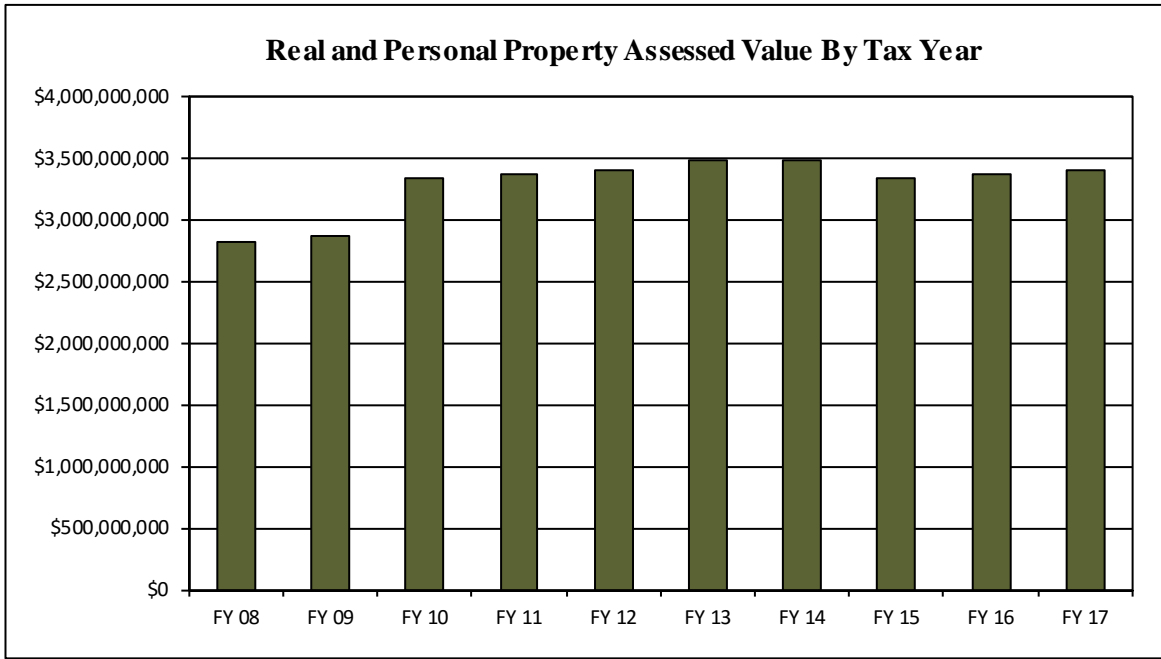
Ad Valorem Taxes	FY 2016 Actual	FY 2017 Budget	FY 2017 Estimated	FY 2018 Budgeted	Percent Change
Real & Personal - Current Year	\$ 9,121,999	\$ 9,359,000	\$ 9,359,000	\$ 9,450,000	1.0%
Real & Personal - Prior Years	3,992	5,000	5,000	5,000	0.0%
Motor Vehicles - Current Year	565,561	557,000	566,000	595,000	6.8%
Motor Vehicles - Prior Years	1,057	2,000	2,000	2,000	0.0%
Discounts/Reliefs/Refunds	(5,346)	(5,000)	(5,000)	(5,000)	0.0%
Tax Interest	10,434	5,000	5,000	5,000	0.0%
Total Ad Valorem Tax Revenue	\$ 9,697,697	\$ 9,923,000	\$ 9,932,000	\$ 10,052,000	1.3%

### Revenue Assumptions

- The total estimated valuation of real and personal property is \$3,410,000,000, of which \$3,208,000,000 is real property valuation and \$202,000,000 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 2018 is 1.2%. The number of new homes constructed in the Village in FY 2016 was 106, and we are expecting to see 130 constructed in FY 2017. Based on remaining lot availability and anticipated mortgage interest rates for next year, we are projecting 120 homes to be constructed in FY 2018.



- Although it varies from year to year, we are expecting the motor vehicle valuation to increase by 1.5% 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 new system is working well to accomplish the goals of the program while reducing the time and cost to issue the stickers.

Other Taxes & Licenses	FY 2016 Actual	FY 2017 Budget	FY 2017 Estimated	FY 2018 Budgeted	Percent Change
Golf Cart Stickers	\$ 8,745	\$ 500	\$ 500	\$ 1,000	100.0%
Total Other Taxes & Licenses	\$ 8,745	\$ 500	\$ 500	\$ 1,000	100.0%

### 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 & Beer Tax. These six state-collected local revenues make up approximately 29% of all General Fund 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 \$0.02 consists of three separate taxes that are authorized by the North Carolina General Statutes: Article 39 at \$0.01, Article 40 at \$0.005, and Article 42 at \$0.005. 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. The State of North Carolina distributes the Village's share of these taxes to the Village on a monthly basis.

The Telecommunications Tax represents an 8.0% 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%. 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%.

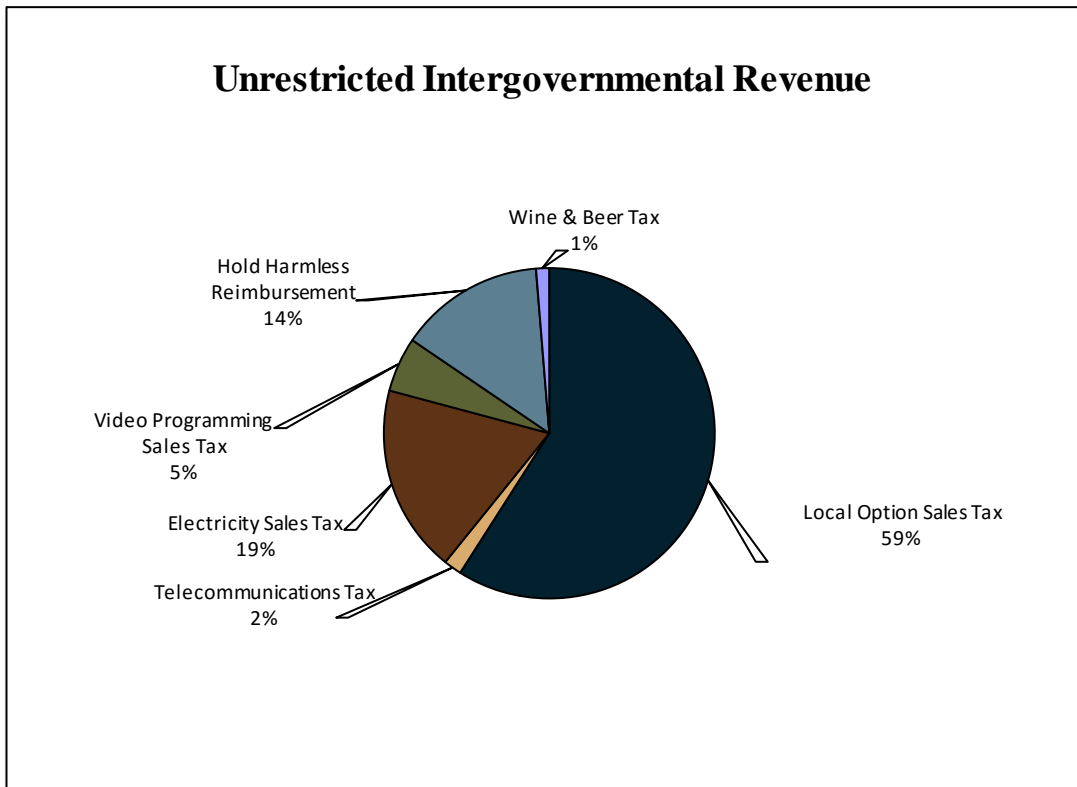
The Hold Harmless Reimbursement is based on taxable sales made in the county and is allocated among the county and the local government jurisdictions within the county based upon a per capita basis. These Hold Harmless Reimbursements were granted to municipalities to replace the Article 44 sales tax 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 & 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 2016 Actual	FY 2017 Budget	FY 2017 Estimated	FY 2018 Budgeted	Percent Change
Local Option Sales Tax	\$ 3,045,953	\$ 3,076,000	\$ 3,146,000	\$ 3,310,000	7.6%
Telecommunications Tax	94,353	105,000	90,000	98,000	-6.7%
Electricity Sales Tax	1,105,975	1,089,000	1,055,000	1,030,000	-5.4%
Video Programming Sales Tax	297,131	274,000	274,000	300,000	9.5%
Hold Harmless Reimbursement	715,857	712,000	760,000	796,000	11.8%
Wine & Beer Tax	69,341	70,200	70,200	72,100	2.7%
Total Unrest. Intergovernmental Rev.	\$ 5,328,610	\$ 5,326,200	\$ 5,395,200	\$ 5,606,100	5.3%





### 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, the NCLM is projecting sales tax growth in FY 2017 of 4.75% and 4.25% in FY 2018. Based on this stronger forecast, the FY 2018 local option sales tax revenue budget will increase by approximately 7.6% over the FY 2017 budgeted amounts.
- 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 1.0% in FY 2017 and 7.0% in FY 2018. Based on this forecast, the Village's telecommunications tax revenue will decrease by approximately 6.7% in FY 2018 over the FY 2017 budgeted amount.
- 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 1.0% in FY 2017 and 2.0% in FY 2018. However, FY 2017 revenues did not reach the anticipated budget projection. Based on this, the Village's electricity sale tax revenue budget will decrease by approximately 5.4% in FY 2018.
- Thus far, distributions of Video Programming Sales Taxes for FY 2017 are lower than the amounts collected in FY 2016 as the industry continues to face competition from other video content providers. The NCLM is projecting an increase in FY 2017 of 2.5% and a decrease of 1.0% in FY 2018. Based on this forecast, telecommunications tax revenue will increase by approximately 0.9% in FY 2018 as compared to the FY 2017 budgeted amount.
- Beer and Wine Tax revenues are expected to increase by 2.7% to \$72,100 in FY 2018 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.

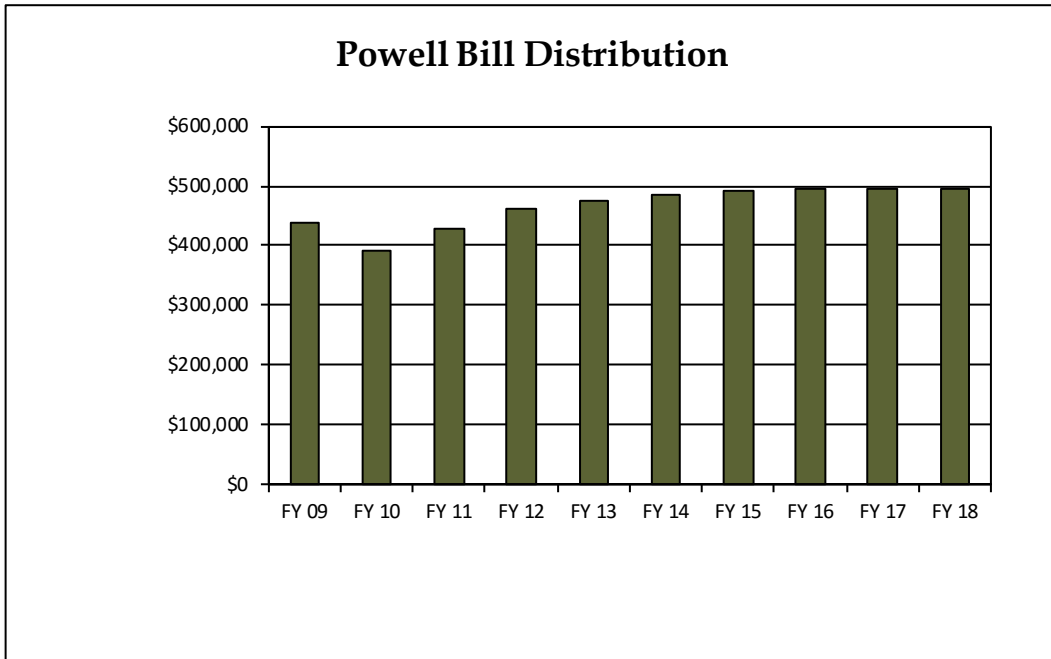
Restricted Intergovernmental Revenue	FY2016 Actual	FY2017 Budget	FY2017 Estimated	FY2018 Budgeted	Percent Change
Powell Bill	\$ 495,083	\$ 494,000	\$ 495,621	\$ 494,000	0.0%
BAB Interest Rebates	1,367	300	255	-	-100.0%
Controlled Substance Tax Distribution	1,217	1,000	500	500	-50.0%
Solid Waste Disposal	10,217	9,900	9,900	10,900	10.1%
Other Grants	1,361	-	-	-	0.0%
Total Rest. Intergovernmental Rev.	\$ 509,245	\$ 505,200	\$ 506,276	\$ 505,400	0.0%

### Revenue Assumptions

- The per capita rate used in the estimation of Powell Bill revenue is \$19.74, which is a 2.0% decrease from the previous year’s actual distribution rate. The street mile rate utilized to project the allocation is \$1,613 per street mile maintained, which decreased by \$11 from the FY 2017 distribution. Both of these estimated distribution rates were provided by the North Carolina League of Municipalities. These lower rates, combined with a small increase in population should yield the Village the same revenue in FY 2018 as the current year.
- The Village purchased a fire engine with a Build America Bond (BAB) in FY 2010. We received a 35% interest rebate on each semi-annual payment until the debt obligation was satisfied in FY 2017.
- The North Carolina League of Municipalities projects that Solid Waste Disposal revenue for FY 2017 will increase by 7.0% over FY 2016. In addition, construction continues to be strong and revenues for FY 2018 are projected to increase 4.5% over FY 2017. Based on these projections, we are increasing the budget for this revenue by 10% over the FY 2017 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 & Inspection Fees, Planning & 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 & 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.

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.

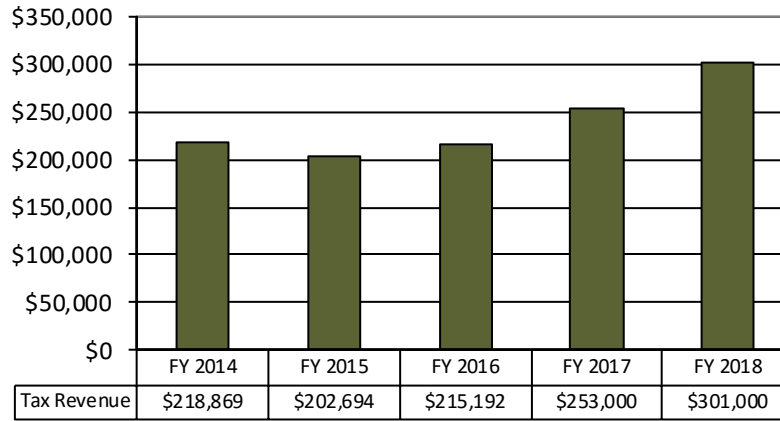
Permits & Fees	FY 2016 Actual	FY 2017 Budget	FY 2017 Estimated	FY 2018 Budgeted	Percent Change
Permit & Inspection Fees	\$ 329,589	\$ 280,000	\$ 375,000	\$ 310,000	10.7%
Planning & Zoning Fees	53,991	46,500	55,050	60,000	29.0%
Fire District Revenue	215,192	253,000	257,000	301,000	19.0%
Other Fees	33,261	4,300	10,835	5,800	34.9%
Total Permit & Fees	\$ 632,033	\$ 583,800	\$ 697,885	\$ 676,800	15.9%

**Revenue Assumptions**

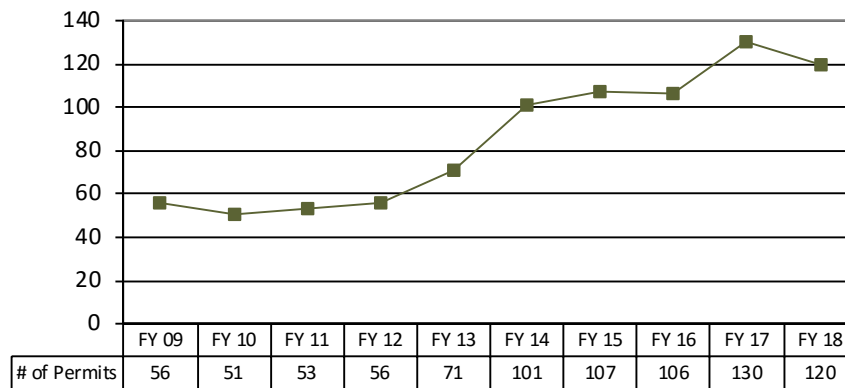
- Permit & Inspection Fees and Planning & Zoning Fees for residential construction are expected to increase in FY 2018 as the number and value of new homes being constructed continue to increase. The Village expects approximately 130 homes to be constructed in FY 2017 and 120 in FY 2018. Fees related to non-residential projects are expected decline from FY 2017 actual levels due to two major commercial projects permitted that year.
- Planning and Zoning Fees are also expected to rise 29% over FY 2017 budgeted levels due to increased construction related activities.
- Fire District Revenues are expected to increase \$48,000, or 19%, due to the implementation of the County’s fire protection funding formula and commercial tax base increases in the Town of Taylortown.



### Fire District Revenue



### New Home Construction Permits





### 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 two active assessments. The first assessed property owners for improvements made to dams in FY 2007 in the Municipal Service District (MSD). The Village expects to collect \$9,800 for the 12<sup>th</sup> installment of this 15-year assessment in FY 2018. Also in FY 2016, the Village assessed property owners in the newly annexed Cotswold of Pinehurst area for a stormwater project. These assessments are planned to be paid in five equal installments without interest. In FY 2016, the first year of the assessment, several Cotswold property owners chose to pay off their assessment in full. This increased actual revenues in FY 2016 significantly. The Cotswold assessment should generate revenues of \$18,600 in FY 2018.

Assessments	FY 2016 Actual	FY 2017 Budget	FY 2017 Estimated	FY 2018 Budgeted	Percent Change
Assessments	\$ 45,741	\$ 29,000	\$ 29,130	\$ 28,400	-2.1%
Total Assessments	\$ 45,741	\$ 29,000	\$ 29,130	\$ 28,400	-2.1%



*Stormwater improvement project*



### Description of Revenue Source

Sales and Services revenue consists primarily of three separate revenue sources for Parks and 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 and athletic leagues sponsored by the Recreation Department.

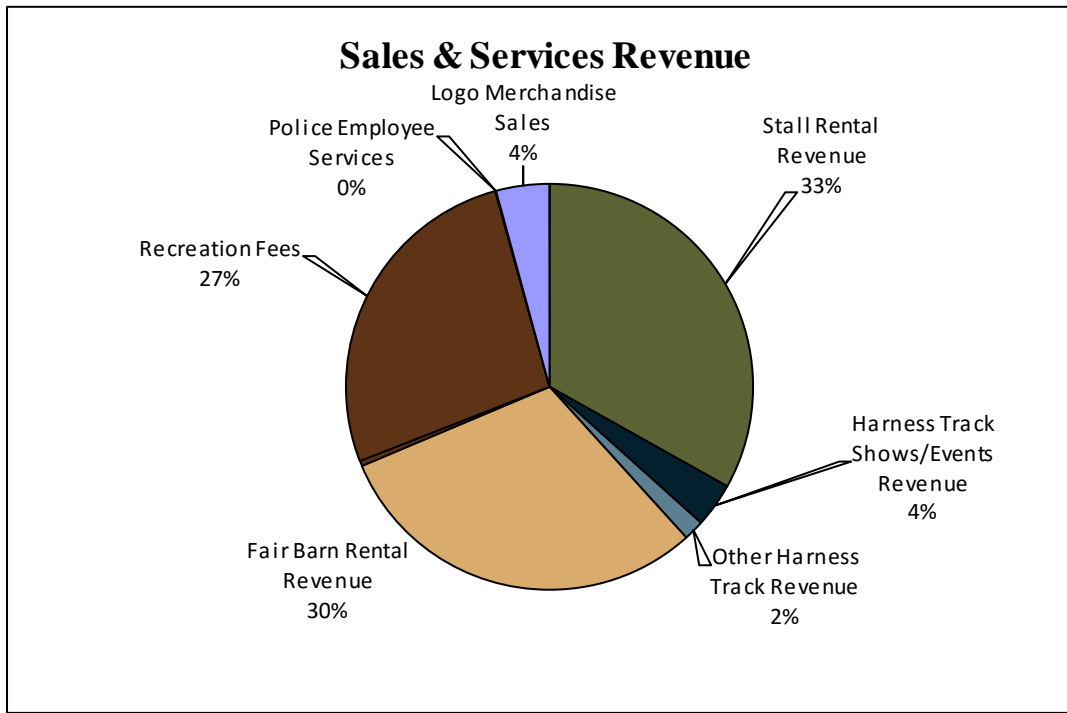
Sales & Services	FY 2016 Actual	FY 2017 Budget	FY 2017 Estimated	FY 2018 Budgeted	Percent Change
Stall Rental Revenue	\$ 244,605	\$ 230,000	\$ 225,000	\$ 235,000	2.2%
Harness Track Shows/Events Revenue	35,046	37,000	37,000	25,000	-32.4%
Other Harness Track Revenue	11,769	11,400	11,743	11,600	1.8%
Fair Barn Rental Revenue	249,785	215,000	225,000	215,000	0.0%
Fair Barn Shows/Events Revenue	4,555	3,000	3,500	3,000	0.0%
Recreation Fees	183,866	156,000	175,500	189,000	21.2%
Police Employee Services	-	-	-	500	100.0%
Logo Merchandise Sales	-	-	-	30,000	100.0%
Total Sales & Services	\$ 729,626	\$ 652,400	\$ 677,743	\$ 709,100	8.7%

### Revenue Assumptions

- Harness Track Stall Rental revenues are projected to increase by 2.2% for FY 2018 due to continued demand for stall space in the facility.
- Harness Track Shows and Events revenues have trended downward recently and are expected to decrease by 32% in FY 2018. This decline is due to fewer shows being scheduled for FY 2018.
- Demand for event space at the Fair Barn continues to be strong. Revenues, however, are expected to decrease slightly from FY 2017 actual levels due to discounts that are now being offered for non-profit events.
- Recreation Fees are expected to increase 21.2% due to increasing participation in recreation programs and high demand for event rentals in the Village Arboretum.
- Police Employee Services is a new revenue source paid to the Village under contract for the use of uniforms and equipment by Police Officers providing off-duty services.
- Logo Merchandise Sales is also a new category of revenue. The Village began selling logo merchandise in March of 2017 to expand overall awareness of the Village’s brand.



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 2016 Actual	FY 2017 Budget	FY 2017 Estimated	FY 2018 Budgeted	Percent Change
ABC Revenues	\$ 120,944	\$ 113,320	\$ 113,320	\$ 134,800	19.0%
Other Miscellaneous Revenues	132,310	89,480	125,655	91,980	2.8%
Total Other Revenues	\$ 253,254	\$ 202,800	\$ 238,975	\$ 226,780	11.8%

### Revenue Assumptions

- ABC revenue is projected to increase by 19% for FY 2018 due to strong local store profits in the current year.
- Other miscellaneous revenues are expected to be similar to the budgeted levels for FY 2017. The higher actual revenue levels in FY 2017 were due to the sale of several large pieces of surplus equipment during that year.



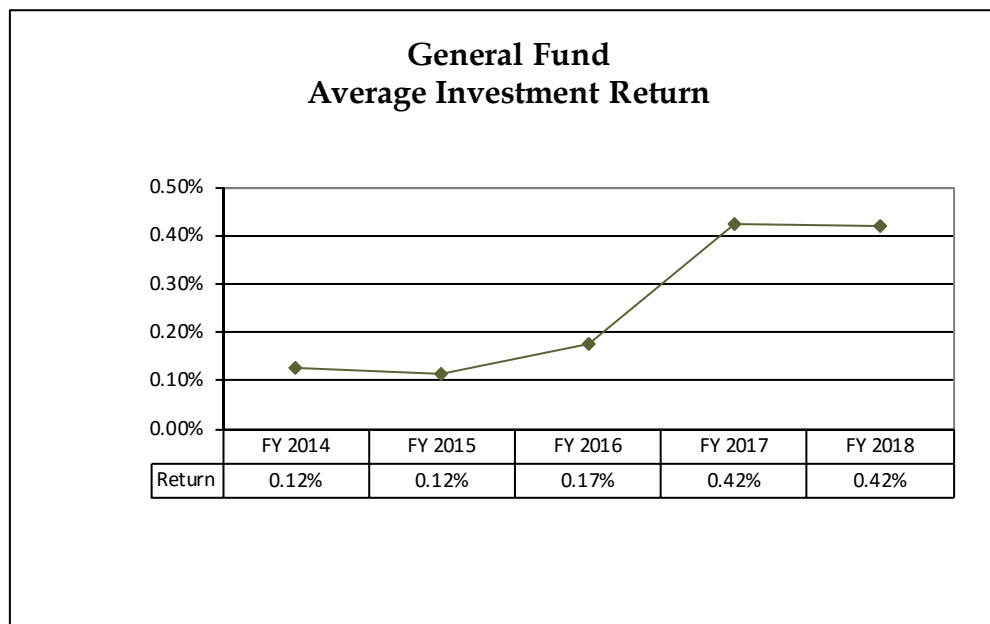
**Description of Revenue Source**

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 2016 Actual	FY 2017 Budget	FY 2017 Estimated	FY 2018 Budgeted	Percent Change
Investment Income	\$ 25,932	\$ 25,400	\$ 40,400	\$ 49,000	92.9%
Total Investment Income	\$ 25,932	\$ 25,400	\$ 40,400	\$ 49,000	92.9%

**Revenue Assumptions**

- Investment income is estimated to grow by 92.9% as investment rates have increased and funds available to invest have also increased. The average rate of return expected in Fiscal Year 2018 is 0.42%.
- In FY 2017, the Village began investing in the NCCMT Term Portfolio, which increased investment yields 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 2016 Actual	FY 2017 Budget	FY 2017 Estimated	FY 2018 Budgeted	Percent Change
Fund Balance Appropriated	\$ -	\$ 1,786,430	\$ -	\$ 1,284,513	-28.1%
Total Fund Balance Appropriations	\$ -	\$ 1,786,430	\$ -	\$ 1,284,513	-28.1%

## Revenue Assumptions

- For FY 2018 we have appropriated \$1,284,513 of the Village’s fund balance as a revenue source. Historically, operating revenues come in at 101% of budget while operating expenditures typically fall 5% below budget. The amount of fund balance appropriated this year is slightly higher than this budget variance amount. If historical trends continue for FY 2018 we will subtract approximately \$295,000 from Fund Balance which will cause fund balance to decrease slightly to 47.8% of General Fund expenditures, or just above the Council’s adopted policy range of 30%-40%.
- The amount of fund balance appropriated in FY 2018 is \$501,917, or 28%, lower than the previous fiscal year due to strong revenue growth and slightly lower capital expenditure levels.