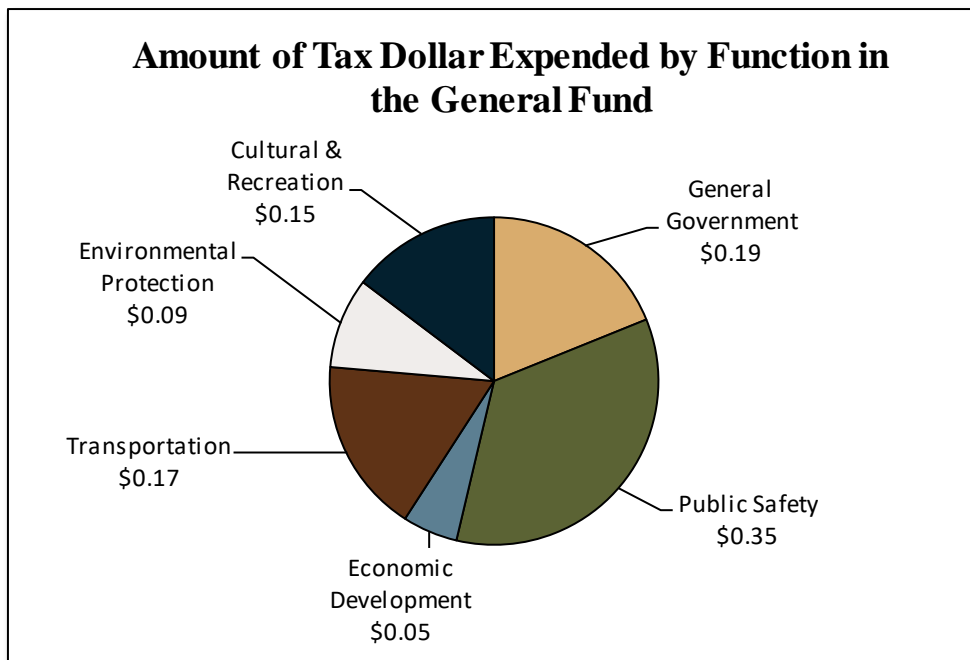




## Description

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

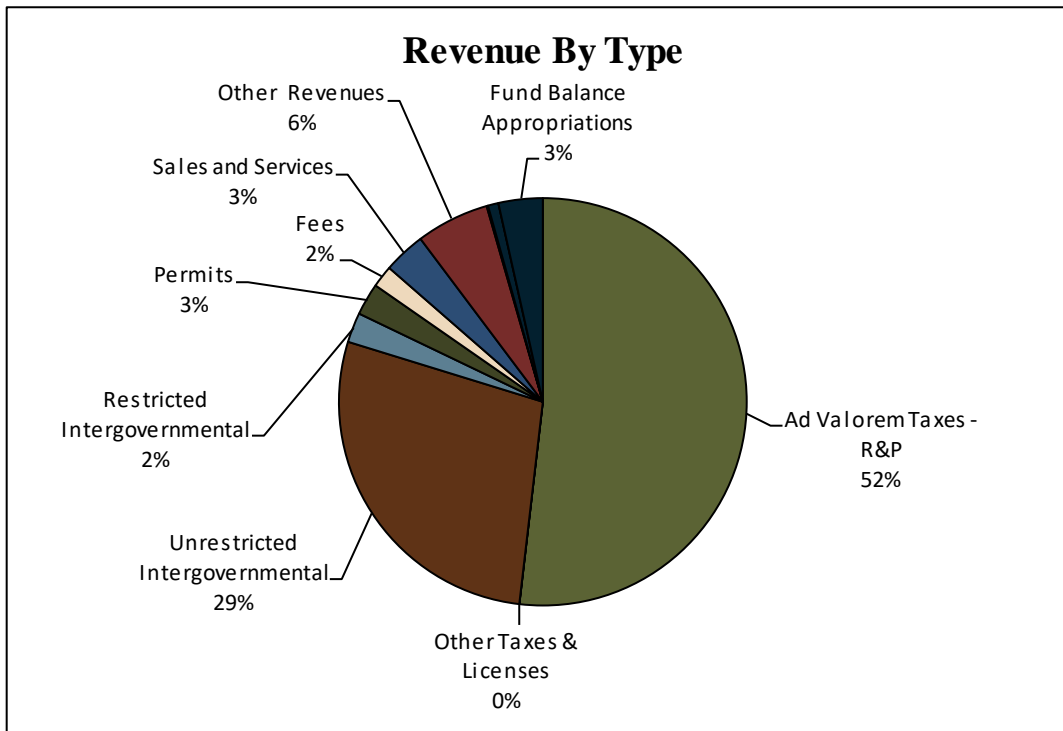




## General Fund Summary

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 54% of the Village of Pinehurst's total operating revenues. When fund balance appropriated is included, ad valorem taxes equal 52% of total revenues.

Revenues by Type	FY 2018 Actual	FY 2019 Budget	FY 2019 Estimated	FY 2020 Budgeted	Percent Change
Ad Valorem Taxes	\$ 10,142,650	\$ 10,250,000	\$ 10,295,000	\$ 11,186,000	9.1%
Other Taxes & Licenses	2,475	1,000	1,500	1,500	50.0%
Unrestricted Intergovernmental Rev.	5,641,380	5,711,000	5,805,000	6,023,300	5.5%
Restricted Intergovernmental Rev.	517,964	736,300	752,974	511,100	-30.6%
Permits & Fees	761,918	714,500	715,135	925,700	29.6%
Sales & Services	709,419	732,600	657,100	720,700	-1.6%
Assessments	31,607	25,900	25,900	24,200	-6.6%
Other Revenues	262,355	269,465	265,465	1,249,880	363.8%
Investment Income	145,657	96,000	196,300	180,000	87.5%
Operating Revenues	18,215,425	18,536,765	18,714,374	20,822,380	12.3%
Fund Balance Appropriations	-	5,018,685	-	755,967	-84.9%
<b>Total Revenues</b>	<b>\$ 18,215,425</b>	<b>\$ 23,555,450</b>	<b>\$ 18,714,374</b>	<b>\$ 21,578,347</b>	<b>-8.4%</b>
<b>Per Capita</b>	<b>\$ 1,107</b>	<b>\$ 1,406</b>	<b>\$ 1,117</b>	<b>\$ 1,270</b>	

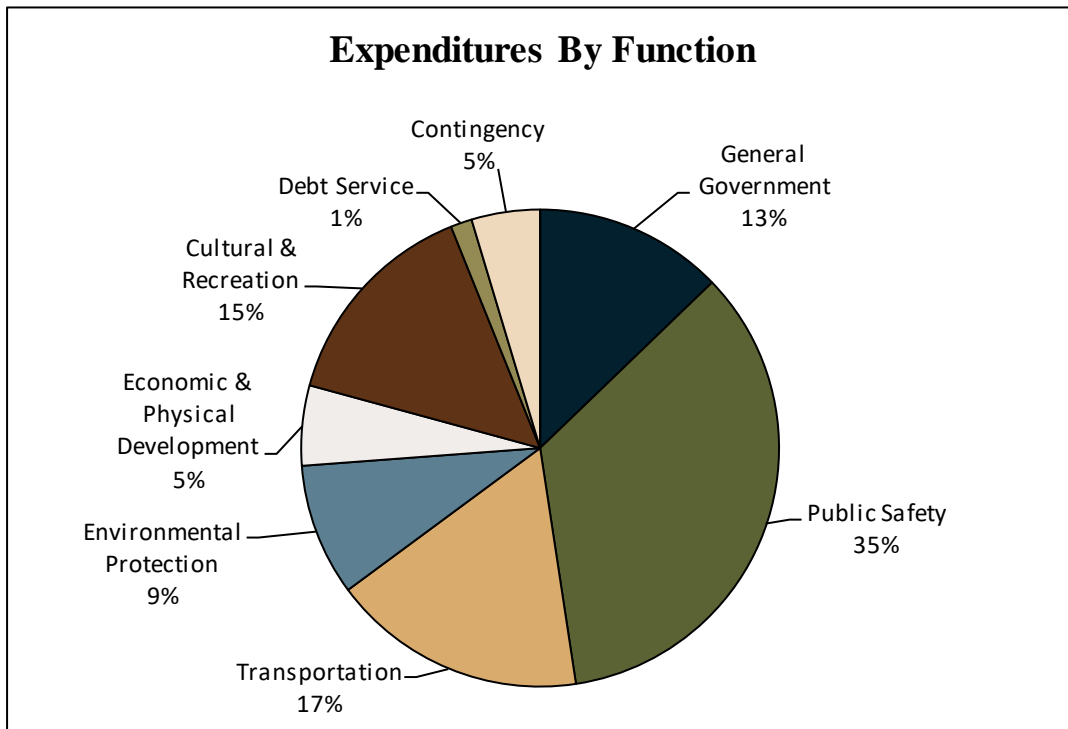




## General Fund Summary

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 2018 Actual	FY 2019 Budget	FY 2019 Estimated	FY 2020 Budgeted	Percent Change
General Government	\$ 2,288,439	\$ 2,685,032	\$ 2,459,368	\$ 2,759,362	2.8%
Public Safety	6,404,852	6,491,171	6,298,157	7,512,012	15.7%
Transportation	3,590,268	3,779,269	3,740,030	3,724,845	-1.4%
Environmental Protection	1,639,563	1,548,253	1,520,313	1,931,473	24.8%
Economic & Physical Dev	700,150	1,167,578	1,101,485	1,170,688	0.3%
Cultural & Recreation	2,878,036	3,059,822	2,955,396	3,167,840	3.5%
Debt Service	361,383	320,160	320,160	312,127	-2.5%
Contingency	-	100,000	50,000	1,000,000	900.0%
Expenditures	17,862,691	19,151,285	18,444,909	21,578,347	12.7%
Other Financing Uses	344,000	4,404,165	4,404,165	-	-100.0%
<b>Total Expenditures</b>	<b>\$ 18,206,691</b>	<b>\$ 23,555,450</b>	<b>\$ 22,849,074</b>	<b>\$ 21,578,347</b>	<b>-8.4%</b>
<b>Per Capita</b>	<b>\$ 1,107</b>	<b>\$ 1,406</b>	<b>\$ 1,364</b>	<b>\$ 1,270</b>	





## 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 2020.

Expenditures by Type	FY 2018 Actual	FY 2019 Budget	FY 2019 Estimated	FY 2020 Budgeted	Percent Change
Salaries & Benefits	\$ 9,535,836	\$ 10,454,400	\$ 10,072,435	\$ 11,401,570	9.1%
Operating	5,537,968	7,105,934	6,782,050	8,016,750	12.8%
Capital	2,427,504	1,270,791	1,270,264	1,847,900	45.4%
Debt Service	361,383	320,160	320,160	312,127	-2.5%
Other Financing Uses	344,000	4,404,165	4,404,165	-	-100.0%
<b>Total Expenditures</b>	<b>\$ 18,206,691</b>	<b>\$ 23,555,450</b>	<b>\$ 22,849,074</b>	<b>\$ 21,578,347</b>	<b>-8.4%</b>

Expenditures by Department Totalled by Function	FY 2018 Actual	FY 2019 Budget	FY 2019 Estimated	FY 2020 Budgeted	Percent Change	FY 2020 % Total
<b>General Government</b>						
Governing Body	\$ 118,269	\$ 150,100	\$ 123,107	\$ 147,150	-2.0%	0.7%
Administration	1,136,716	1,333,909	1,275,383	1,402,992	5.2%	6.5%
Finance	650,965	675,080	609,973	672,060	-0.4%	3.1%
HR	382,489	525,943	450,905	537,160	2.1%	2.5%
<b>Total General Government</b>	<b>2,288,439</b>	<b>2,685,032</b>	<b>2,459,368</b>	<b>2,759,362</b>	<b>2.8%</b>	<b>12.8%</b>
<b>Public Safety</b>						
Police	2,987,757	3,389,841	3,279,142	3,503,757	3.4%	16.2%
Fire	3,211,637	2,872,673	2,791,560	3,689,793	28.4%	17.1%
Inspections	205,458	228,657	227,455	318,462	39.3%	1.5%
<b>Total Public Safety</b>	<b>6,404,852</b>	<b>6,491,171</b>	<b>6,298,157</b>	<b>7,512,012</b>	<b>15.7%</b>	<b>34.8%</b>
<b>Transportation</b>						
Public Services Admin.	509,498	513,925	497,374	538,736	4.8%	2.5%
Streets & Grounds	2,097,009	2,165,344	2,142,656	2,085,609	-3.7%	9.7%
Powell Bill	983,761	1,100,000	1,100,000	1,100,500	0.0%	5.1%
<b>Total Transportation</b>	<b>3,590,268</b>	<b>3,779,269</b>	<b>3,740,030</b>	<b>3,724,845</b>	<b>-1.4%</b>	<b>17.3%</b>
<b>Environmental Protection</b>						
Solid Waste	1,639,563	1,548,253	1,520,313	1,931,473	24.8%	9.0%
<b>Total Environmental Protection</b>	<b>1,639,563</b>	<b>1,548,253</b>	<b>1,520,313</b>	<b>1,931,473</b>	<b>24.8%</b>	<b>9.0%</b>
<b>Economic &amp; Physical Dev.</b>						
Planning	522,357	932,418	876,282	802,038	-14.0%	3.7%
Community Development	177,793	235,160	225,203	368,650	56.8%	1.7%
<b>Total Economic &amp; Physical Dev.</b>	<b>700,150</b>	<b>1,167,578</b>	<b>1,101,485</b>	<b>1,170,688</b>	<b>0.3%</b>	<b>5.4%</b>
<b>Cultural &amp; Recreation</b>						
Recreation	1,714,829	1,908,738	1,837,164	1,906,611	-0.1%	8.8%
Library	200,000	100,000	100,000	150,000	50.0%	0.7%
Harness Track	570,425	638,714	626,697	682,398	6.8%	3.2%
Fair Barn	392,782	412,370	391,535	428,831	4.0%	2.0%
<b>Total Cultural &amp; Recreation</b>	<b>2,878,036</b>	<b>3,059,822</b>	<b>2,955,396</b>	<b>3,167,840</b>	<b>3.5%</b>	<b>14.7%</b>
<b>Debt Service</b>	<b>361,383</b>	<b>320,160</b>	<b>320,160</b>	<b>312,127</b>	<b>-2.5%</b>	<b>1.4%</b>
<b>Contingency</b>	<b>-</b>	<b>100,000</b>	<b>50,000</b>	<b>1,000,000</b>	<b>900.0%</b>	<b>4.6%</b>
<b>Total Expenditures</b>	<b>17,862,691</b>	<b>19,151,285</b>	<b>18,444,909</b>	<b>21,578,347</b>	<b>12.7%</b>	
<b>Other Financing Uses (OFU)</b>	<b>344,000</b>	<b>4,404,165</b>	<b>4,404,165</b>	<b>-</b>	<b>-100.0%</b>	<b>0.0%</b>
<b>Total Expenditures &amp; OFU</b>	<b>\$ 18,206,691</b>	<b>\$ 23,555,450</b>	<b>\$ 22,849,074</b>	<b>\$ 21,578,347</b>	<b>-8.4%</b>	<b>100.0%</b>



**General Fund Summary**

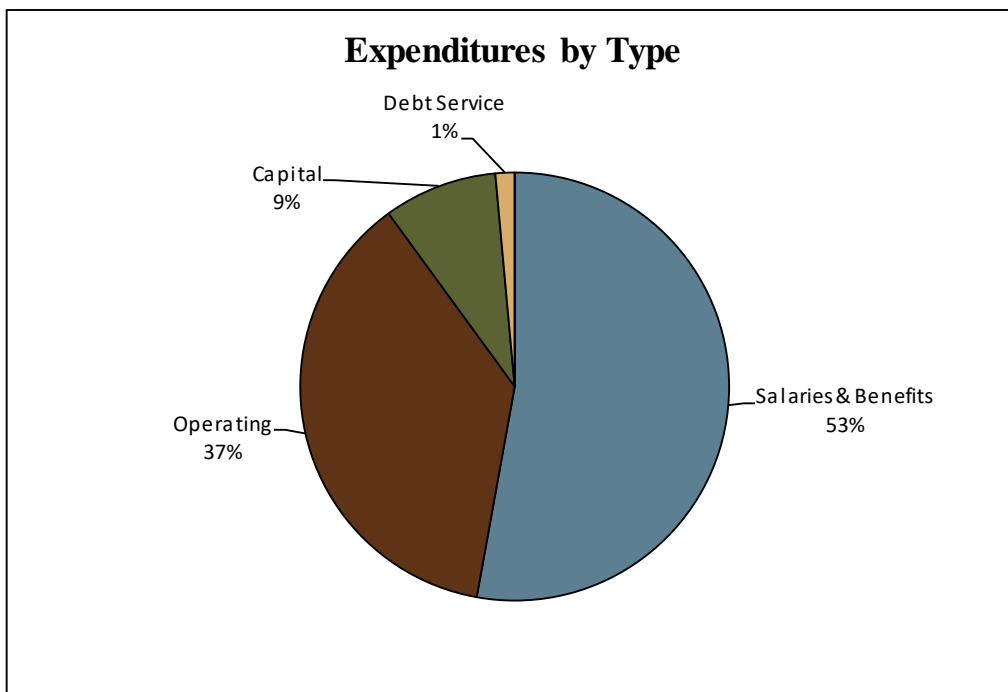
The General Fund continues to reflect the overall economy with moderate revenue growth from both locally generated revenues and statewide intergovernmental revenues. The recovery in local housing market, over the past few years, is having a positive impact on property tax and local option sales tax revenues. The Village’s state-collected utility taxes, however, 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 2020 is \$21,578,347, a decrease of approximately 8% from the previous year’s amended budget. The majority of this decrease is due to the transfer of \$4,404,165 to the Community Center Capital Project Fund in FY 2019 to fund the construction of this new facility.

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>	Revenues Over (Under) <u>Expenditures</u>
6/30/2015 Actual	\$16,748,558	\$16,290,525	\$458,033
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 Estimated	18,714,374	18,444,909	269,465
6/30/2020 Budgeted	20,822,380	21,578,347	(755,967)

After adding appropriated fund balance of \$755,967 to revenues, the Village’s FY 2020 recommended budget is balanced in accordance with North Carolina General Statutes.





### Revenue Highlights

The approved budget for FY 2020 represents an 8% decrease from the FY 2019 amended budget. Operating revenues are estimated to increase by approximately 12.3% over FY 2019, including the return of \$1 million from the Given Memorial Library capital campaign trust account. Excluding this one-time revenue source, operating revenues are estimated to increase by 6.9% over FY 2019. The recommended budget as presented results in a per capita expenditure of \$1,270 based on a projected population of 16,994.

The projected ad valorem tax revenues, which represent roughly 54% of total operating revenues, are expected to grow by 9.1% over the prior year. The property revaluation by the Moore County Tax Department resulted in an estimated 5.38% increase in property values. The Village Council elected to adopt an “inflation-adjusted revenue neutral tax rate” of \$0.30 per \$100 of property valuation, which recognizes that the cost of doing business has increased since the last revaluation period. The rate is calculated by modifying the traditional revenue neutral tax rate by inflation that has occurred since the last revaluation date of January 1, 2015. This rate is expected to generate \$11,186,000 in ad valorem revenues.

Unrestricted intergovernmental revenues, which are distributed by the North Carolina Department of Revenue, are expected to increase or decrease at varying rates over the prior year. Local option sales taxes, which provide approximately 17% of the Village’s operating revenues, are expected to increase by 5.2% over the previous year’s budget. This increase is based on strong levels of retail sales over the last three fiscal years. Utility sales taxes are expected to change over the prior year at varying rates. While electricity sales taxes are expected to increase, telecommunications and video programming taxes are likely to decline slightly as consumers are selecting alternative telephone and television services. Overall, we are expecting to see unrestricted intergovernmental revenues increase approximately 5.5% over the FY 2019 budget.

Permits and fees are expected to increase by 29.6% in FY 2020 over the prior year budgeted levels. This increase is primarily due to the newly revised permitting, inspections, and engineering fees adopted by Council with an effective date of July 1, 2019. A majority of permit fees have not been modified since 2004, and a comprehensive cost analysis was performed to determine rates that would cover the costs of providing these services. Based on recommendations from the analysis, most permitting and inspection fees were increased to cover the Village’s costs.

Assessment revenues are expected to yield \$24,200 for FY 2020 from two special assessments. The revenue budget for FY 2020 anticipates \$7,000 from the Municipal Service District assessment and \$17,200 from the Cotswold assessment.

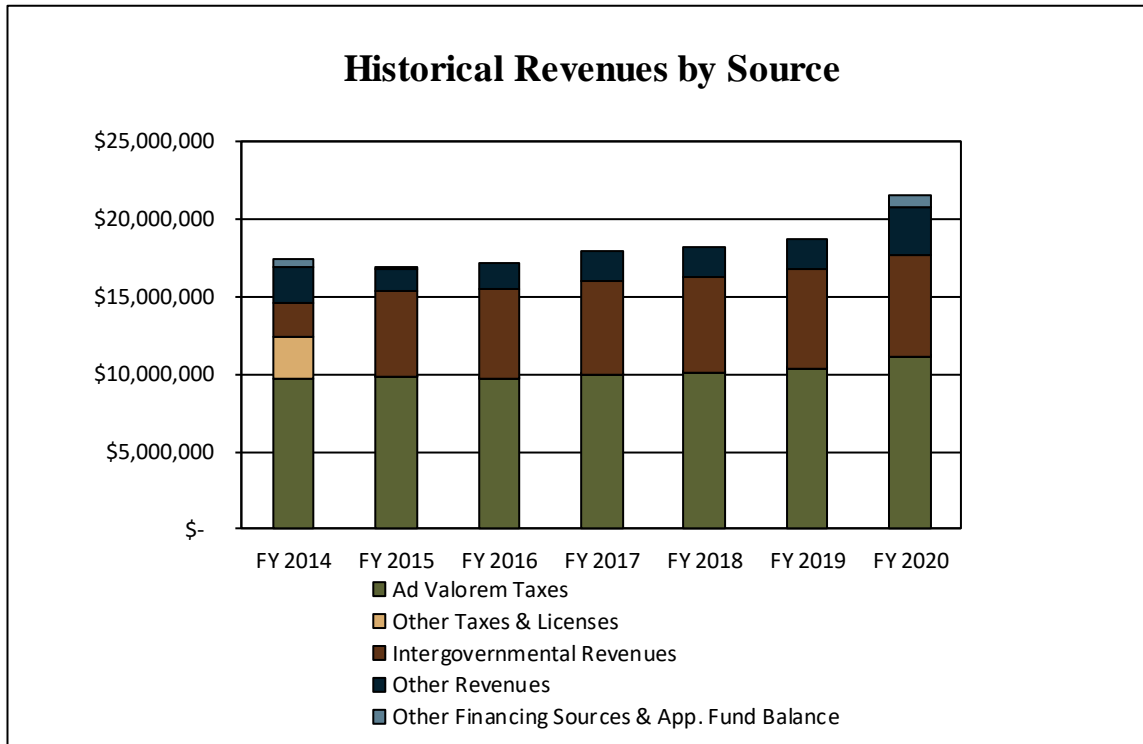
Sales and services revenues, which are derived from various Parks and Recreation fees, are expected to decrease by 1.6% over prior year levels. The largest decreases include Fair Barn and facility rentals, which total 20.9% less than the prior year budget. This forecast is based on current year revenue collections, which reflect lower demand for Village event venues. However, we anticipate increased recreation and athletic program revenue from additional offerings at the Community Center, which will offset a large portion of this decline.



## Revenue Highlights

Other revenues reflect the return of \$1 million from the Given Memorial Library capital campaign trust account, since the library was unable to meet its fundraising requirements under the agreement.

Investment income is estimated to grow by 87.5% as interest rates have risen and are expected to remain steady throughout FY 2020. The average rate of return expected in FY 2020 is 2.09%. This rate is consistent with the actual rate of return earned throughout FY 2019.





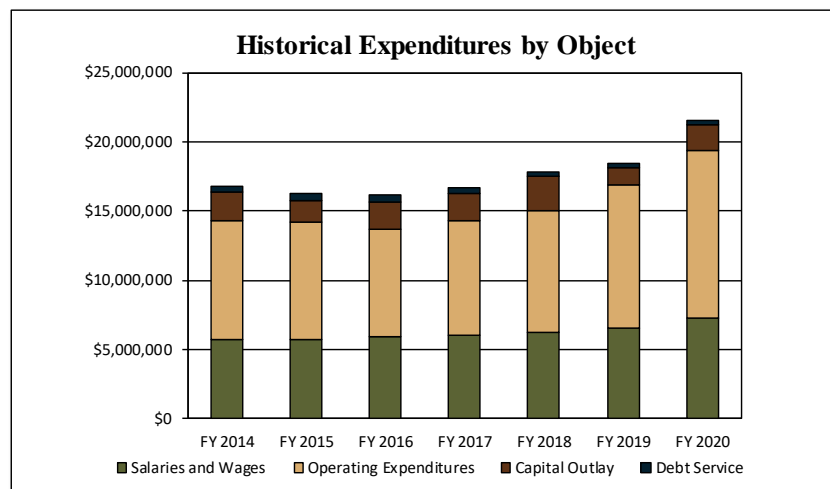
## Expenditure Highlights

Salaries and benefits are expected to increase by 9.1% in FY 2020. This is affected by a cost of living adjustment of 2.4%, an average merit increase of 2%, and a projected 10% increase in group insurance. In FY 2020, there are 4.5 new employee full-time equivalents (FTE) added to the budget for the following positions: Administrative Assistant for Recreation (1 FTE), GIS Analyst for Information Technology (1 FTE), Building Inspector for Inspections (1 FTE), Firefighter for Fire Department (1 FTE), Maintenance Worker to replace two part-time seasonal Maintenance Workers in Streets & Grounds (.3 FTE), and increase current IT Systems Specialist in Information Technology from a 30-hour position to full-time (.2 FTE).

Several proposed restructures are also recommended in the FY 2020 budget to increase career development opportunities and enhance performance across the organization. These restructures require no additional FTEs and include the following: Buildings & Grounds Crew Leader, Harness Track Specialist II, Assistant Grounds Crew Leader, Assistant Infrastructure Crew Leader, Assistant Solid Waste Superintendent, and a proposed Recreation restructure to be determined.

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. These include developing a small area plan for Village Place and the Rattlesnake Trail corridor, expanding GIS capabilities, and operating costs associated with the new Community Center. Contingency funding of \$1 million has also been set aside in operating expenditures as a budgetary technique to return the \$1 million from the Given Memorial Library capital campaign trust account to fund balance. Excluding these contingency funds, the 1.3% decrease in operating expenditures is reflective of various increases and offsetting decreases throughout the budget.

Capital spending in the General Fund increased by 45.4% compared to the previous year. This increase is primarily due to the inclusion of \$400,000 for the replacement of a rescue vehicle and \$400,000 for the potential purchase of two pieces of land for a third fire station and possible development of structured parking near the Village Center. Other significant items in the current plan include streetscape improvements, storm drainage projects, 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 2020 budget and three prior fiscal years. The large decrease in FY 2019 is due to the transfer of approximately \$4.4 million to the Community Center Capital Project Fund for facility construction.

Fund Balance	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimated	FY 2020 Budgeted*
Beginning	\$ 9,325,344	\$ 10,633,102	\$ 10,641,838	\$ 7,043,712
Ending	10,633,102	10,641,838	7,043,712	7,466,885
Increase/(Decrease)	1,307,758	8,736	(3,598,126)	423,173
% Change	14.0%	0.1%	-33.8%	6.0%
% of Expenditures	63.8%	58.5%	29.9%	34.6%

\* Assumes actual revenues of 101% of budget and actual expenditures of 95% of budget

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 2020, we have appropriated \$755,967 of the Village’s fund balance as a revenue source.

Fund balance is estimated to be \$7,043,712 at June 30, 2019. This is 29.9% of the budgeted FY 2019 expenditures of \$23,555,450. The Village’s fund balance policy is to maintain 30%-40% of expenditures in fund balance. Due to continued investment in the Community Center Capital Project Fund, fund balance has fallen to the bottom of the policy range. However, fund balance at June 30, 2020 is estimated to be \$7,466,885 or 34.6% of budgeted expenditures, including the \$1 million contingency appropriation to offset the returned library capital contribution. Since the \$1 million contingency funding is not expected to be spent, estimated fund balance will likely be approximately 39.2%. The *Five-Year Financial Forecast* section of this document provides additional information regarding the impact of the \$1 million on fund balance over the five-year period.

