



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 54% of all Village General Fund operating revenues. This includes current year’s collections, prior year’s collections, penalties and interest, and refunds.

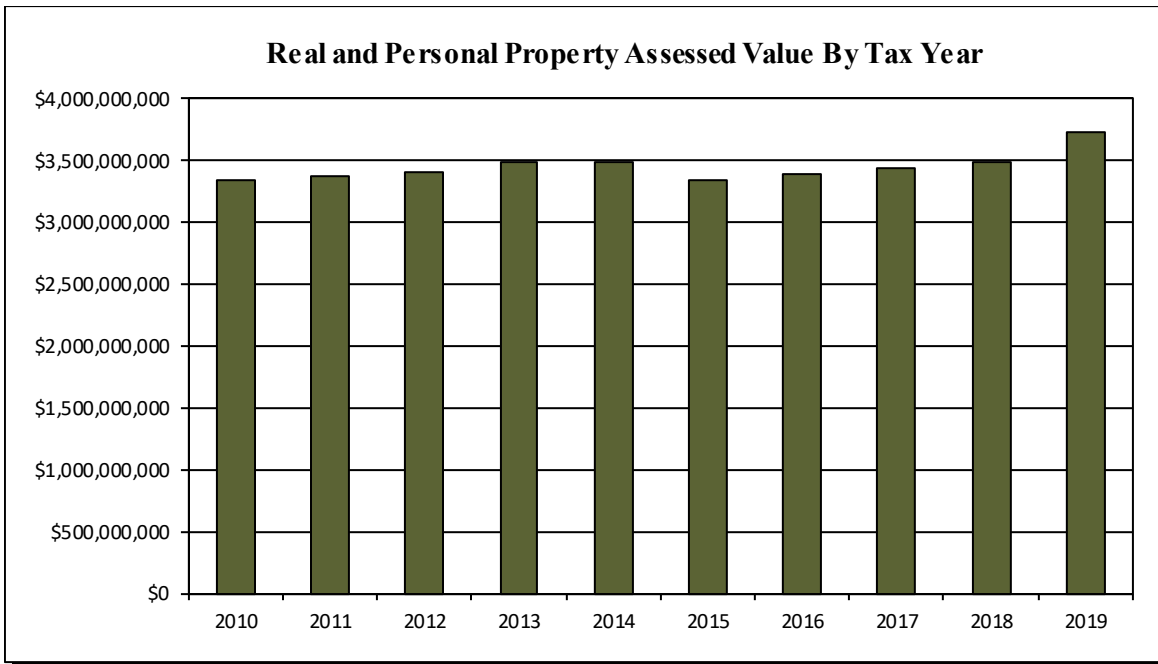
Table with 6 columns: Ad Valorem Taxes, FY 2018 Actual, FY 2019 Budget, FY 2019 Estimated, FY 2020 Budgeted, Percent Change. Rows include Real & Personal - Current Year, Real & Personal - Prior Years, Motor Vehicles - Current Year, Motor Vehicles - Prior Years, Discounts/Reliefs/Refunds, Tax Interest, and Total Ad Valorem Tax Revenue.

Revenue Assumptions

- Property revaluation by the Moore County Tax Department resulted in an estimated 5.38% increase in property values. Village Council elected to adopt an “inflation-adjusted revenue neutral tax rate” of \$0.30 per \$100 of property valuation, not to be confused with the revenue neutral tax rate defined by the North Carolina Local Government Budget and Fiscal Control Act. The “inflation-adjusted revenue neutral tax rate” concept was developed by Village staff and recognizes that the cost of doing business has increased since the last revaluation period. It is calculated by modifying the traditional revenue neutral tax rate by inflation that has occurred since the last revaluation date of January 1, 2015. The proposed rate is expected to generate \$11,186,000 in ad valorem tax revenue.
The total estimated valuation of real and personal property is \$3,731,000,000, of which \$3,511,000,000 is real property valuation and \$220,000,000 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 2020 is 1.68%. The number of new homes constructed in the Village in FY 2018 was 144. Based on remaining lot availability and increasing mortgage interest rates, we are expecting to permit 120 homes in FY 2019 and 120 in FY 2020.



- 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 2018 Actual	FY 2019 Budget	FY 2019 Estimated	FY 2020 Budgeted	Percent Change
Golf Cart Stickers	\$ 2,475	\$ 1,000	\$ 1,500	\$ 1,500	50.0%
Total Other Taxes & Licenses	\$ 2,475	\$ 1,000	\$ 1,500	\$ 1,500	50.0%

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 and beer tax. These six state-collected local revenues make up approximately 29% 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%.

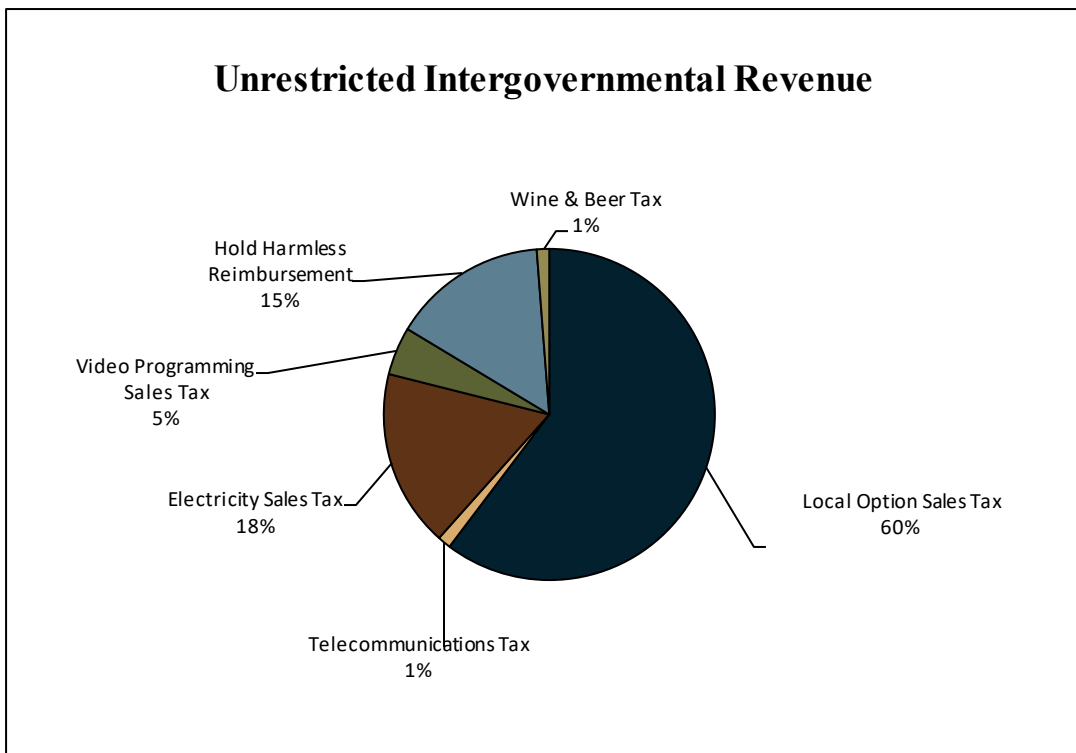
The hold harmless reimbursement is based on taxable sales made in the county and is allocated among the county and the local government jurisdictions within the county based upon a per capita basis. These hold harmless reimbursements were granted to municipalities to replace the Article 44 sales tax 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 2018 Actual	FY 2019 Budget	FY 2019 Estimated	FY 2020 Budgeted	Percent Change
Local Option Sales Tax	\$ 3,350,938	\$ 3,451,000	\$ 3,495,000	\$ 3,632,000	5.2%
Telecommunications Tax	86,083	86,000	83,000	78,000	-9.3%
Electricity Sales Tax	993,724	959,000	1,000,000	1,044,000	8.9%
Video Programming Sales Tax	294,671	290,000	279,000	283,000	-2.4%
Hold Harmless Reimbursement	844,706	855,000	878,000	913,000	6.8%
Wine & Beer Tax	71,258	70,000	70,000	73,300	4.7%
Total Unrest. Intergovernmental Rev.	\$ 5,641,380	\$ 5,711,000	\$ 5,805,000	\$ 6,023,300	5.5%





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 2019 of 5.1% and 4.5% in FY 2020. Based on this forecast, the FY 2020 local option sales tax revenue budget will increase by approximately 5.2% over the FY 2019 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 3.3% in FY 2019 and 3.9% in FY 2020. Based on this forecast, the Village's telecommunications tax revenue will decrease by approximately 9.3% in FY 2020 below the FY 2019 budgeted amount, since FY 2019 revenues are not 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 4.8% in FY 2019 and 1.5% in FY 2020. Since FY 2019 revenues exceeded the anticipated budget projection, we are increasing the electricity sale tax revenue budget for FY 2020 by approximately 8.9%.
- Thus far, distributions of video programming sales taxes for FY 2019 are lower than the amounts collected in FY 2018 as the industry continues to face competition from other video content providers. The NCLM is projecting decreases in FY 2019 of 1.3% and 0.1% in FY 2020. Based on this forecast, the Village's video programming sales tax revenue will decrease by approximately 2.4% in FY 2020 as compared to the FY 2019 budgeted amount
- Wine and beer tax revenues are expected to increase by 4.7% to \$73,300 in FY 2020, due in part to legislation passing the "brunch bill" in 2018, which allows local governments to permit the sale of alcohol on Sunday mornings.



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.

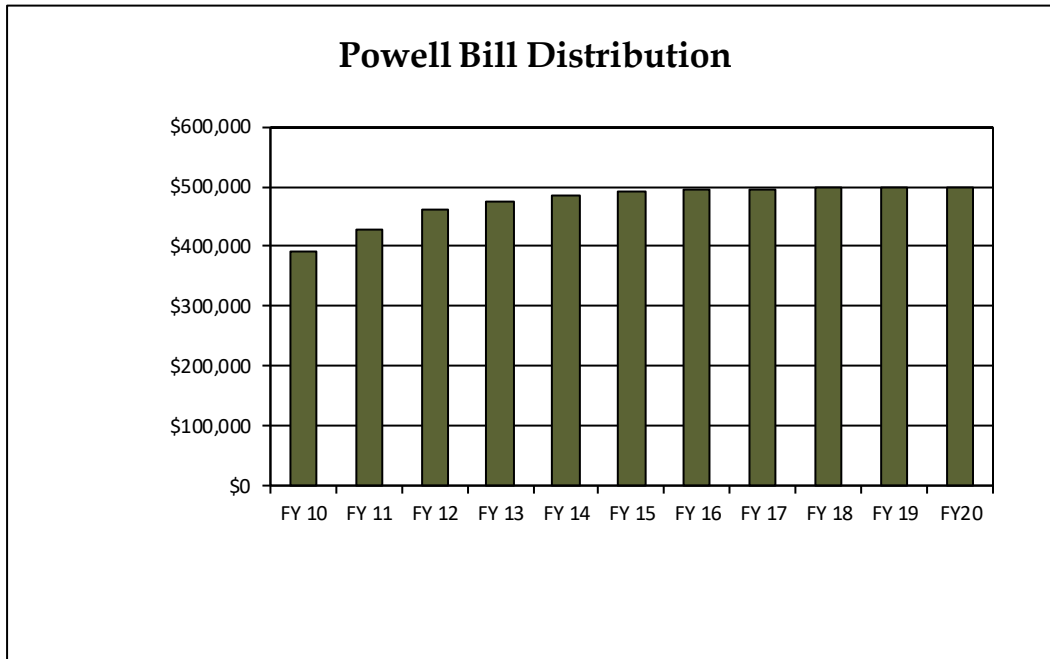
Restricted Intergovernmental Revenue	FY 2018 Actual	FY 2019 Budget	FY 2019 Estimated	FY 2020 Budgeted	Percent Change
Powell Bill	\$ 498,958	\$ 498,000	\$ 498,488	\$ 498,000	0.0%
Controlled Substance Tax Distribution	3,943	1,000	2,500	1,500	50.0%
Solid Waste Disposal	10,939	11,100	11,100	11,600	4.5%
Other Grants	4,124	226,200	240,886	-	-100.0%
Total Rest. Intergovernmental Rev.	\$ 517,964	\$ 736,300	\$ 752,974	\$ 511,100	-30.6%

Revenue Assumptions

- The per capita rate used in the estimation of Powell Bill revenue is \$19.33, which is a 1.2% decrease from the previous year’s actual distribution rate. The street mile rate utilized to project the allocation is \$1,591 per street mile maintained, which decreased by \$9 from the FY 2019 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 approximately the same revenue in FY 2020 as the current year.
- The North Carolina League of Municipalities projects that solid waste disposal revenue for FY 2019 will increase by 4.0% over FY 2018. In addition, construction continues to be strong and revenues for FY 2020 are projected to increase 0.4% over FY 2019. Based on these projections, we are increasing the budget for this revenue by 4.5% over the FY 2019 levels.
- The Village does not normally budget for other grant revenues until a grant award notification has been received. During FY 2019, the Village requested Federal Emergency Management Agency (FEMA) reimbursement for expenditures related to Hurricane Florence that impacted the area in September 2018.



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 have not been modified since 2004, and the analysis revealed that most of them should be increased to cover actual costs. However, residential construction planning and inspection fees were recommended to be reduced. Village Council approved all modifications to the fee schedule with an effective date of July 1, 2019.

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.

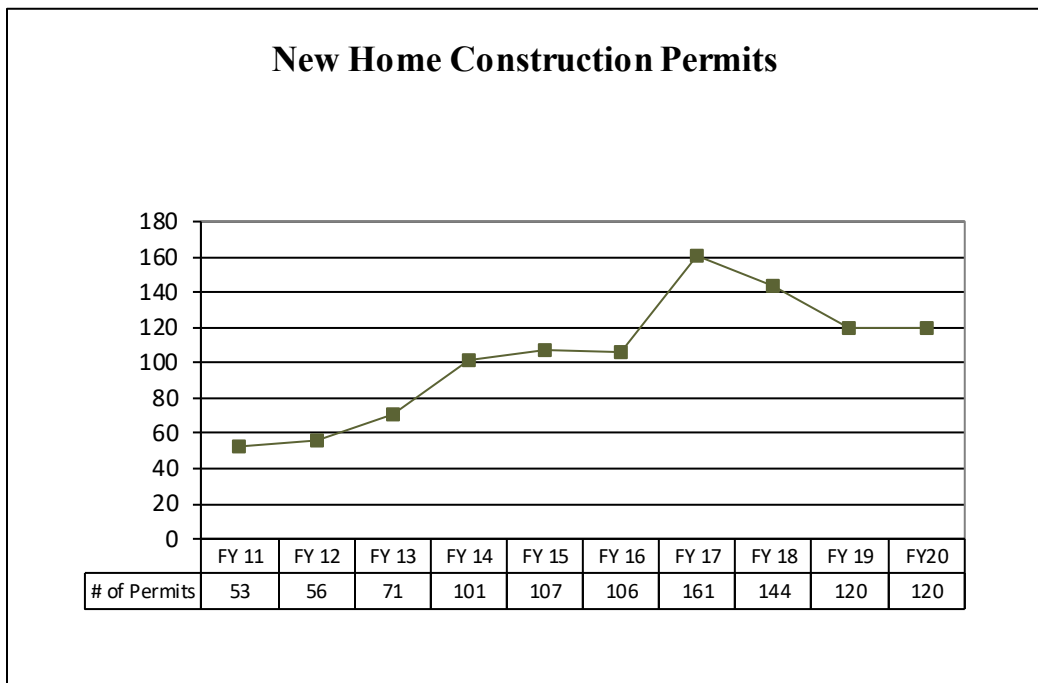
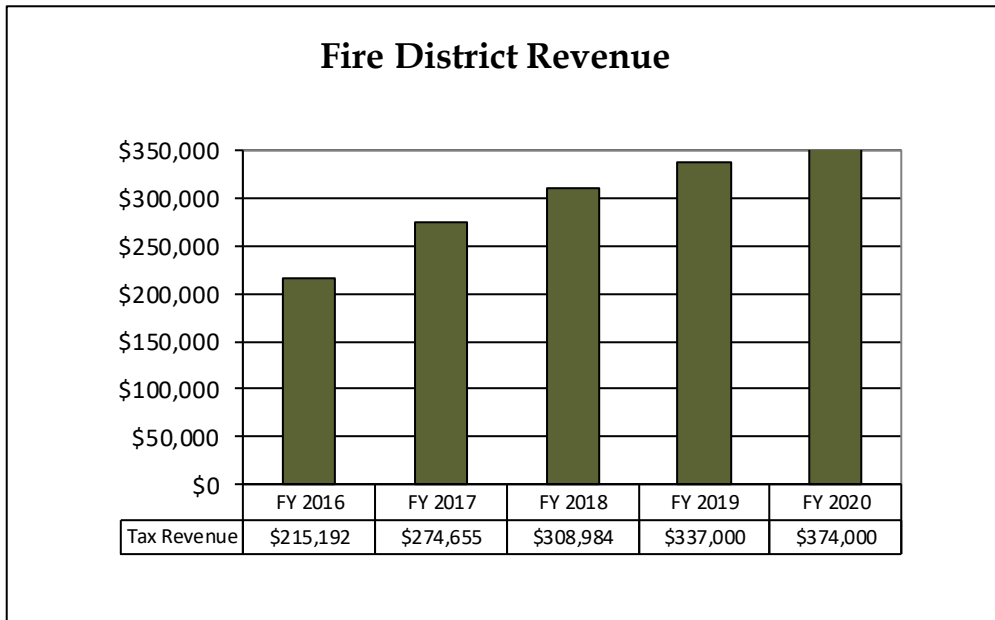
Permits & Fees	FY 2018 Actual	FY 2019 Budget	FY 2019 Estimated	FY 2020 Budgeted	Percent Change
Permit & Inspection Fees	\$ 361,646	\$ 300,000	\$ 300,000	\$ 250,000	-16.7%
Planning & Zoning Fees	70,464	65,000	65,000	300,000	361.5%
Fire District Revenue	308,984	337,000	337,000	374,000	11.0%
Other Fees	20,824	12,500	13,135	1,700	-86.4%
Total Permit & Fees	\$ 761,918	\$ 714,500	\$ 715,135	\$ 925,700	29.6%

Revenue Assumptions

- Permit and inspection fees and planning and zoning fees for residential construction are expected to decrease slightly in FY 2020. While the number and value of new homes being constructed remains consistent with the prior year’s level, the revised fees to be charged for residential construction permits have decreased. The Village expects approximately 120 homes to be constructed in FY 2019 and 120 in FY 2020.
- Overall, planning and zoning fees are expected to rise significantly over FY 2019 budgeted levels as a result of expected non-residential growth and the newly restructured fee schedule that was implemented to cover actual costs.



- Fire district revenues are expected to increase \$37,000, or 11%, due to the phased-in implementation of the County’s fire protection funding formula and commercial tax base increases in 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 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 \$7,000 for the 14th installment of this 15-year assessment in FY 2020. Also, in FY 2016 the Village assessed property owners in the newly annexed Cotswold of Pinehurst area for a storm water project. These assessments are being paid in five equal installments without interest, with the final installment due in FY 2020. The Cotswold assessment should generate revenues of \$17,200 in FY 2020.

Assessments	FY 2018 Actual	FY 2019 Budget	FY 2019 Estimated	FY 2020 Budgeted	Percent Change
Assessments	\$ 31,607	\$ 25,900	\$ 25,900	\$ 24,200	-6.6%
Total Assessments	\$ 31,607	\$ 25,900	\$ 25,900	\$ 24,200	-6.6%



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 and athletic leagues sponsored by the Recreation Department, as well as rent fees charged for park facilities.

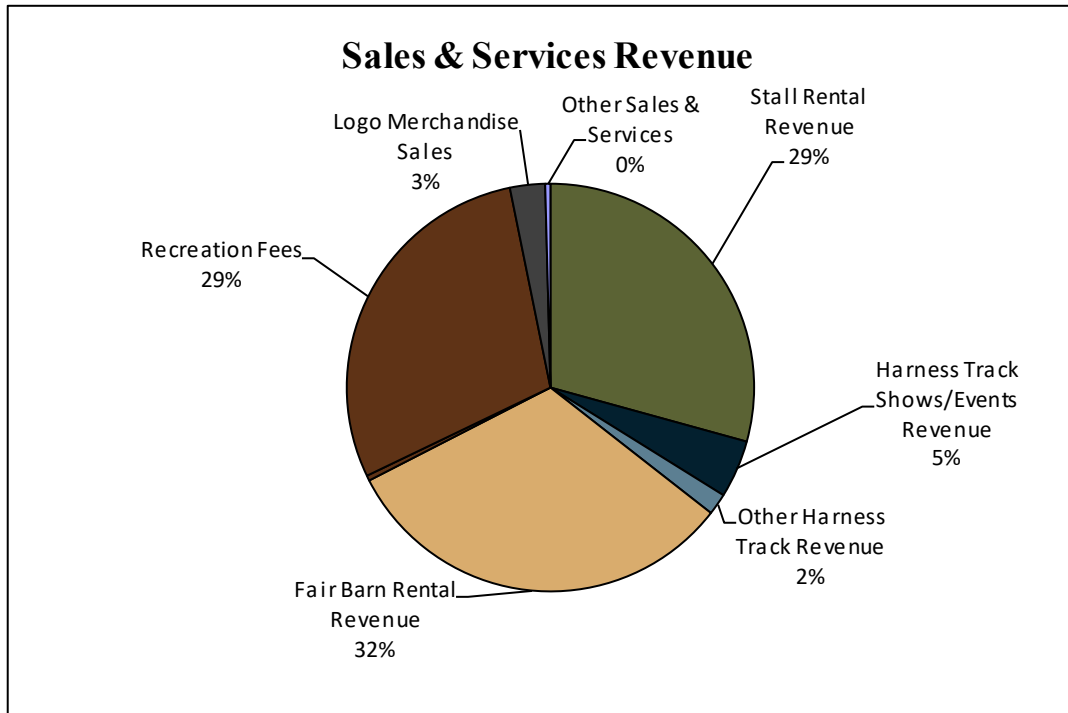
Sales & Services	FY 2018 Actual	FY 2019 Budget	FY 2019 Estimated	FY 2020 Budgeted	Percent Change
Stall Rental Revenue	\$ 212,067	\$ 215,000	\$ 189,000	\$ 211,000	-1.9%
Harness Track Shows/Events Revenue	28,810	25,000	35,000	33,000	32.0%
Other Harness Track Revenue	11,924	11,600	11,600	12,200	5.2%
Fair Barn Rental Revenue	258,607	250,000	220,000	230,000	-8.0%
Fair Barn Shows/Events Revenue	3,740	3,000	3,500	3,000	0.0%
Recreation Fees	183,730	205,000	175,000	208,500	1.7%
Logo Merchandise Sales	7,630	20,000	20,000	20,000	0.0%
Other Sales & Services	2,911	3,000	3,000	3,000	0.0%
Total Sales & Services	\$ 709,419	\$ 732,600	\$ 657,100	\$ 720,700	-1.6%

Revenue Assumptions

- Harness Track stall rental revenues are projected to decrease by 1.9% for FY 2020 due to the lower occupancy rates experienced in FY 2019.
- Harness Track shows and events revenues that have been trending downward over the past few years are expected to increase 32.0% in FY 2020 due to the positive growth experienced in FY 2019.
- Fair Barn rental revenues are expected to decrease 8.0% from FY 2019 budgeted levels due to lower event rentals experienced in FY 2019.
- Recreation fees are expected to increase by 1.7%. Like Fair Barn rentals, park facility rentals were lower than expected in FY 2019. However, we anticipate increasing participation in recreation and athletic programs with the Community Center opening in FY 2020. These increases are expected to offset the decline in facility rentals.
- The Village began selling logo merchandise in March of 2017 to expand overall awareness of the Village’s brand. Logo merchandise sales experienced significant growth in FY 2019 as new products were offered at various times throughout the year.



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 2018 Actual	FY 2019 Budget	FY 2019 Estimated	FY 2020 Budgeted	Percent Change
ABC Revenues	\$ 145,220	\$ 139,600	\$ 139,600	\$ 157,700	13.0%
Other Miscellaneous Revenues	117,135	129,865	125,865	1,092,180	741.0%
Total Other Revenues	\$ 262,355	\$ 269,465	\$ 265,465	\$ 1,249,880	363.8%

Revenue Assumptions

- ABC revenue is projected to increase by 13.0% for FY 2020 due to strong growth in local store profits in the current year.
- Other miscellaneous revenues reflect the return of \$1 million from the Given Memorial Library capital campaign trust account. The Village contributed \$1 million to the trust account over the past several years and anticipates these funds will be returned 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 2019.



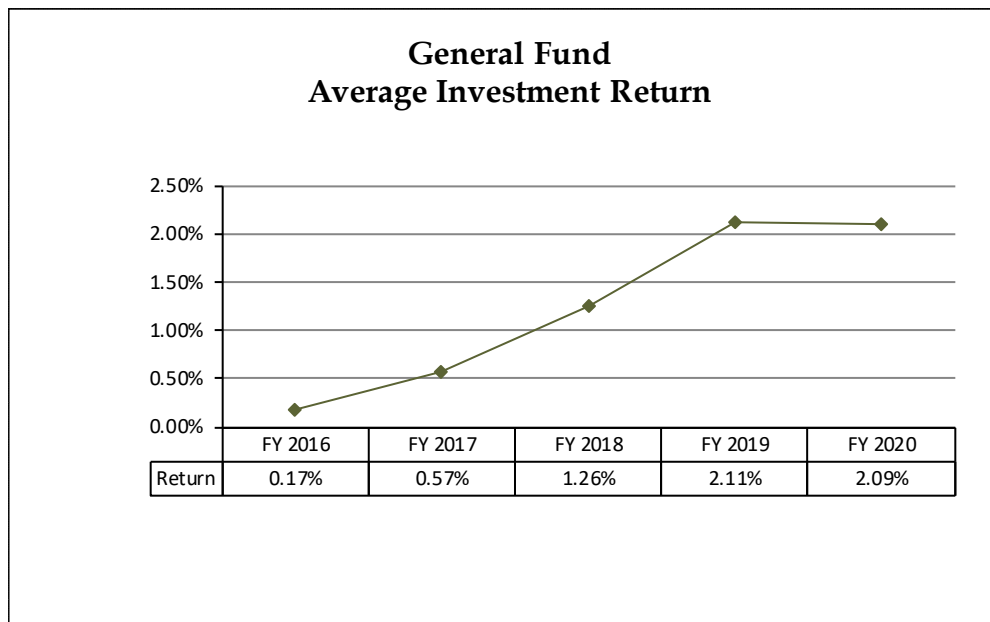
Description of Revenue Source

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 2018 Actual	FY 2019 Budget	FY 2019 Estimated	FY 2020 Budgeted	Percent Change
Investment Income	\$ 145,657	\$ 96,000	\$ 196,300	\$ 180,000	87.5%
Total Investment Income	\$ 145,657	\$ 96,000	\$ 196,300	\$ 180,000	87.5%

Revenue Assumptions

- Investment income is estimated to grow by 87.5% as investment rates have increased and are expected to remain steady throughout FY 2020. The average rate of return expected in Fiscal Year 2020 is 2.09%.
- In FY 2017, the Village began investing in the NCCMT Term Portfolio, which has increased investment yields without significantly impacting liquidity.





Fund Balance Appropriations

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 2018 Actual	FY 2019 Budget	FY 2019 Estimated	FY 2020 Budgeted	Percent Change
Fund Balance Appropriated	\$ -	\$ 5,018,685	\$ -	\$ 755,967	-84.9%
Total Fund Balance Appropriations	\$ -	\$ 5,018,685	\$ -	\$ 755,967	-84.9%

Revenue Assumptions

- For FY 2020 we have appropriated \$755,967 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 lower than this budget variance amount. If historical trends continue for FY 2019, we will add approximately \$423,000 to fund balance, which will cause fund balance to increase to 34.6% of General Fund expenditures. This is within the Council’s adopted policy range of 30%-40%.
- The amount of fund balance appropriated in FY 2020 is significantly lower than the previous fiscal year due to the transfer of approximately \$4 million to the Community Center Capital Project Fund in FY 2019.