

# Town of Newport

Dennis Barber, Mayor  
Chuck Shinn, Mayor Pro Tem

## Council Members

David Heath  
Mark Eadie  
Danny Fornes  
Bob Benedict

P. O. Box 1869  
Newport, NC 28570



Angela Christian  
Town Manager

Taylor & Taylor  
Town Attorney

Maryellen Brown  
Town Clerk/Tax Collector

(252) 223-4745  
(252) 223-5382 fax

Mayor Dennis Barber and Town Council  
Newport, North Carolina

Dear Mayor Barber, Newport Town Council and Citizens of Newport,

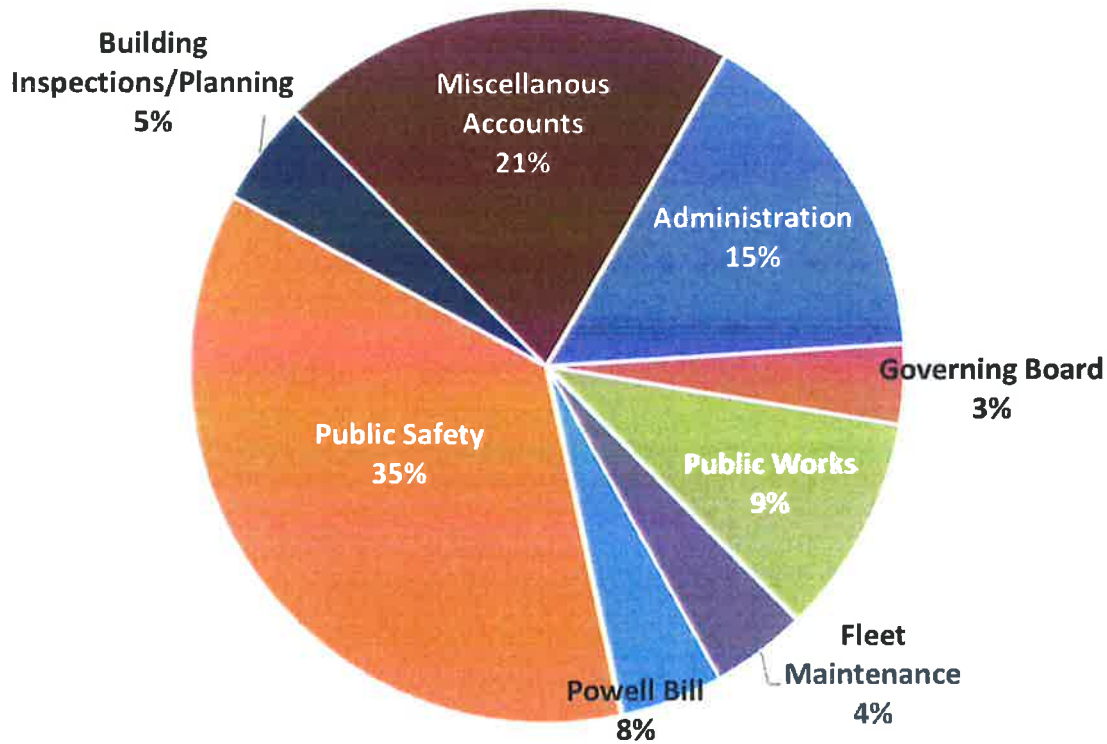
Pursuant to Section 159-11 of the North Carolina General Statutes, I am pleased to present the Recommended Budget for the Fiscal Year 2018-2019 for your review and consideration. The budget is balanced and reflects the strategies discussed during winter and fall retreats of the Town Council. Our focus continues on financial stability, capital replacement and infrastructure. The FY19 budget reflects our investment in our people, programs, projects and services.

## FY19 RECOMMENDED BUDGET HIGHLIGHTS

General Fund	\$2,737,661
Recreation	\$ 14,745
Fire/EMS	\$1,393,056
Water/Sewer	<u>\$2,407,178</u>
Total Operating Budget	\$6,552,640
Property Tax Rate	\$0.357 per \$100 valuation. This property tax rate has remained unchanged since FY11.
Garbage Collection Rate	Residential - \$16.00 per month. This rate is increasing by \$1.00 due to increased costs.
Water Rate	\$17 Base Rate (Town Limits)
Sewer Rate	\$18 Base Rate (Town Limits)

## General Fund

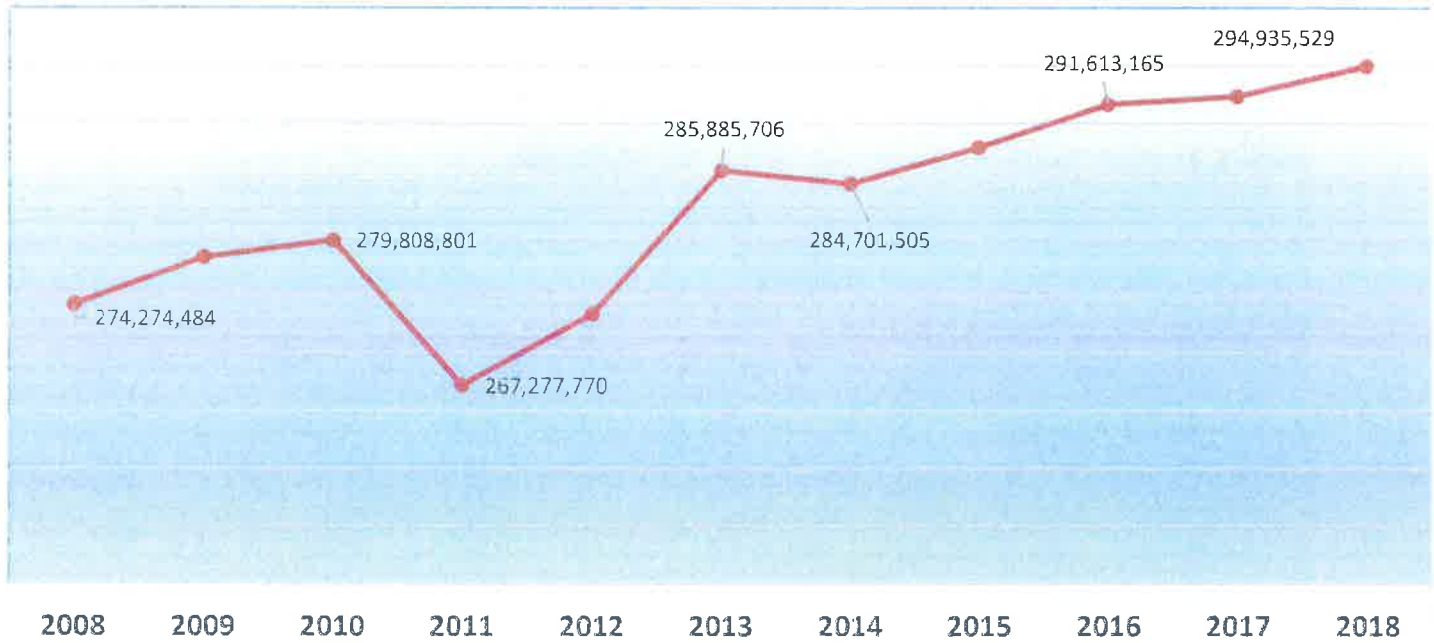
The General Fund is the main operating fund accounting for governmental functions supported by general taxes and revenues that do not require to be accounted for in another fund. The expenses for public safety (Police & Fire/Ems), finance, planning, administration and public works are all allocated in the General Fund. Miscellaneous accounts include solid waste, recreation, streetlights and partner contributions. The FY19 Recommended budget totals \$2,737,661 which is 4.2 percent more than the FY18 Amended budget of \$2,624,982. The chart below presents each expenditure as a percent of total General Fund expenditures.



General Fund Revenues - The major revenue sources are detailed in the following section.

*Ad Valorem Tax:* For FY19, the ad valorem tax base is an estimated \$294,935,529 which will generate \$1,043,583 million in property taxes with a tax rate of \$0.375 per \$100 valuation at a 99.3 percent collection rate. The tax rate has remained unchanged since FY11. Since our property values have remained basically static, we are concerned with long term sustainability and reevaluation in 2020. The chart on the next page presents the total assessed value for all property in the Town of Newport, less tax-exempt property.

## Newport Tax Valuation



*Local Option Sales Tax:* Sales tax represents the town's second largest revenue source at \$535,000 (19.5%). The State of North Carolina collects the sales tax and distributes it to the local municipalities. Sales tax revenues are distributed on proportional property values in Carteret County. Over the past 10 years, Newport has received a 155% increase in sales tax. Although, we have seen an uptick in our economic forecast, fuel prices and unforeseen shifts in state and federal policy can lower expectations. Legislation is again expected to be proposed in the state's biennial budget which may further erode sales tax distributions with the "Seasonal Population Adjustment Factor". Staff will continue to monitor the state legislature and advocate against this proposed change.

*Utility Sales Tax:* Beginning in FY15, the sale of electricity and piped natural gas became subject to the general sales tax rate. This shifted the burden of the tax from the producer to the consumer. The State distributes a portion of the sales tax proceeds to cities and towns. This revenue will generate \$280,000 in FY19.

*Powell Bill:* Two years ago, the General Assembly eliminated the tie between the gas tax and Powell Bill funds and instead made the Powell Bill a direct appropriation of state dollars. Our allocation has remained basically the same at \$125,000. However, we are making a major effort to pave more streets in this budget by allocating \$150,000 to address street repair and maintenance.

*ABC Revenue* – The ABC Board distributes revenues based on net profit. This budget estimates \$50,000 in revenues.

# General Fund Balance



**General Fund Balance:** The North Carolina Local Government Commission recommends that local governments maintain a minimum undesignated fund balance of no less than eight percent (8%) of expenditures. Like cities in our population group generally have a range of 50-70%. The Town has achieved its goal of 50% of fund balance and we have projected that the amount will be 67% by June 30, 2018. Staff will present a policy for Council consideration in the first quarter of the fiscal year.

**General Fund Expenses:** Overall, operational costs remain flat. The last leaky roof is scheduled for repair in this budget along with repairs on the bathrooms in the Library and Town Park as we have focused on deferred maintenance projects. Additionally, we have continued our initiative to replace street signs with high visibility signs for safer streets and travel. Lastly, the budget does reflect increased costs for residential garbage and landfill fees and no increase for the Library allocation and civic projects.

## **Water and Sewer Enterprise Fund**

The Water and Sewer Fund comprise all revenues and expenditures that result from the town's water and sewer utility operations. User charges and fees generate enough revenues to support the fund completely. The FY19 Proposed for the Water and Sewer Fund totals \$2,407,178, a 3.1 percent increase from the FY18 Amended Budget as of \$2,334,850.

Replacement of the backhoe, generator at well #4 and capital projects for a sewer extension on Chatham Street, installation of well #6 with a main distribution water line and extension of water service on Highway 70 are the major expenses for this fund. Smaller projects include water and sewer rate studies along with meter head replacements. During the upcoming fiscal year, staff will address plans for major rehabilitation of the water plant which will require assuming new debt in this fund.

## Fire & EMS Fund

The Fire Fund is funded by the Town of Newport, Carteret County, ambulance charges and miscellaneous fees. The recommended budget is \$1,393,056. The budget does include an increase of two cents in the rural fire district and an additional contribution of \$59,000 from the General Fund. This raises the tax rate in the rural district to 9% and the equivalent tax rate in the Town of Newport to 9.46%. Major expenditures in the department will replace an ambulance and a capital reserve for a future fire engine.

## Recreation Fund

This budget allocated \$14,745 for recreational activities. This budget includes the Newport Community Festival in September and various monthly activities for individuals of all ages to enjoy.

## Initiatives, Programs and Projects

The FY18 Recommended Budget includes several initiatives that have been a part of the Council's strategic focus and goals. The section below highlights these programs.

<b>Department</b>	<b>Project</b>	<b>Amount</b>	<b>Comments</b>
Administration	Financial Software	\$ 39,172	Final Payment
Public Works	Roof Replacement	\$ 11,000	Replacement
Powell Bill	Paving	\$150,000	Evaluation & Paving
Capital Projects	Sidewalk	\$138,000	Chatham /Johnson St
Water & Sewer	Backhoe	\$120,000	Replacement equipment
Water & Sewer	Sewer Line	\$217,000	Chatham St
Water & Sewer	Water Main	\$ 81,000	Hwy70
Water & Sewer	New Well	\$550,000	Well # 6
Water & Sewer	Generator	\$ 35,000	Well #4
Fire	Equipment	\$178,000	Ambulance
Recreation	Rec Activities	\$ 14,745	
Police	Vehicle Replacement	\$ 35,000	Pickup Truck
Police	Server	\$ 16,000	Replacement Computer Server

## Personnel/Benefits

Personnel and Benefits expenditures include salaries, insurance, retirement contributions and taxes. Increases in this area are attributed to a cost of living adjustment for full time employees at 2%, 401k contributions to 5%, and retirement contributions up 0.25. Fortunately, there was no increase in health insurance and worker's compensation expenses decreased by \$17,000. Funding is allocated for longevity increases based on years of service. This budget does include the addition of one full time police officer.

## Debt Service

Debt Service type expenditures are those associated with the payment of principal and interest owed by the Town. Total debt service in the General Fund is \$15,281.

## Summary

The proposed budget is balanced in accordance with State statutes. We have taken care of long standing maintenance issues and added a police officer. We are strategically moving forward meeting the needs of our residents and employees. Although this budget does not fund all the requests made by departments, it does address the top priorities of the Town and continues the core level of services. In the future, the Town of Newport will face numerous issues including major renovations on the water plant, capital replacement, sidewalk and pedestrian pathways, replacement of our Police and Fire buildings, state regulations, limited revenue choices and more demands from citizens as our community changes. It will be important that we balance our wants/needs against our financial restraints. With the building of the bypass around Havelock, the Town of Newport will be the true gateway to the coast and hometown choice for new businesses and homes. We encourage all citizens to be involved in the community by volunteering and understanding how your local government works. Despite the challenges before us, we have stayed true to our values and maintained financial stability with smart growth strategies.

My appreciation is expressed to Assistant Town Manager / Finance Director Tim White and all department heads and staff for the endless hours of preparation and review for this budget. Thank you for your commitment and dedication for ensuring we stay faithful to remaining the Town of old fashioned courtesy.

I look forward to our review and discussions in the coming weeks. The budget will be available on our website- [www.townofnewport.com](http://www.townofnewport.com) and in the Town Clerk's office.

Respectfully submitted,

*Angela Christian*

Angela Christian, ICMA-CM  
Town Manager

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*The Town with Old-Fashioned Courtesy*

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## Town of Newport, North Carolina Budget Ordinance

### Fiscal Year 2018 - 2019

BE IT ORDAINED BY THE TOWN COUNCIL OF THE TOWN OF NEWPORT, NORTH CAROLINA meeting in regular session this 14th day of JUNE, 2018 that the following fund revenues and departmental expenditures, together with certain restrictions and authorizations are adopted.

#### SECTION I. General Fund:

##### A. Revenues Anticipated:

Ad Valorem Tax, Current	1,043,333
Ad Valorem Tax, Prior years	5,000
Mot. Veh. Tax, Collected-County	185,000
Tax Penalties and Interest	1,500
Interest Earned on Investments	1,000
Rents and Concessions	200
Fees for Solid Waste Collection	280,128
Fees for Misc. Services	5,000
Utilities Franchise Tax	280,000
Beer & Wine Tax	24,000
Powell Bill Funds	125,150
Local Option Sales Tax	535,000
County ABC Board	50,000
Homeowners Recovery Fund	100
Building Permits	15,000
Court Costs, Fees and Charges	250
Loan Proceeds	35,000
Sale of Surplus	1,000
Appropriation from Recreation Fund Balance	1,000
Appropriation from Powell Bill Fund Balance	150,000
<b>Total Revenues</b>	<b><u>2,737,661</u></b>

**B. Expenditures Authorized:**

Governing Body	71,000
Administration	407,350
Public Works	258,450
Fleet Maintenance	122,515
Powell Bill	208,200
Police	794,255
Planning/Zoning	128,675
Trash	271,000
Transfer to Recreation Fund	14,745
Library	80,390
Civic Projects	5,300
Transfer to Fire Fund	279,000
Streetlights	60,000
Miscellaneous	21,500
Debt Service Princ & Int	<u>15,281</u>
<b>Total General Fund</b>	<b><u>2,737,661</u></b>

**SECTION II. Fire/Rescue Fund****A. Revenues:**

Transfer from General Fund	279,000
Donations	150
Ad Val Tax Fire Dist	410,495
Special Events Fee	300
Local Option Sales Tax	98,000
Ambulance Transport Fees	415,111
Loan Proceeds	190,000
County Reserve Fund	0
Fund Balance Appropriation	0
<b>Total Fire/Rescue Revenues</b>	<b><u>1,393,056</u></b>

**B. Fire Rescue Expenditures Authorized**

F/R Debt Principle	0
F/R Debt Interest	<u>0</u>
<b>Sub Total</b>	<b>0</b>
Operations	1,078,168
Capital Reserve	84,888
Capital Outlay	<u>230,000</u>
<b>Sub Total</b>	<b><u>1,393,056</u></b>
<b>Total Fire Rescue</b>	<b><u>1,393,056</u></b>



**SECTION III. Water Sewer****A. Revenues Anticipated - Water**

Water Service Charges	1,049,057
Water Facilities Fees	5,250
Water Tap Fees	3,750
Service Fees	0
Connection Fees	<u>16,000</u>
<b>Total Water Revenues</b>	<b><u>1,074,057</u></b>

**Revenues Anticipated - Sewer**

Sewer Service Charges	1,100,518
Sewer Tap Fees	3,750
Service Fees	0
Septic Maintenance Fees	300
Sewer Facilities Fees	<u>5,250</u>
<b>Total Sewer Revenues</b>	<b><u>1,109,818</u></b>

**Revenues Anticipated - Other**

Interest Earned on Investments	500
Misc	1,500
Capital Reserve Appropriation	140,303
Fund Balance Appropriation	<u>81,000</u>
<b>Total Other Revenues</b>	<b><u>223,303</u></b>

**Total Water Sewer Revenues****2,407,178****B. Expenditures Authorized****DEBT SERVICE FUND**

W/S Principle Maturities	558,000
W/S Interest on Bonds	<u>154,915</u>
<b>Sub Total</b>	<b><u>712,915</u></b>

**WATER/SEWER FUND**

Operations	1,415,923
Capital Outlay	<u>278,340</u>
<b>Sub Total</b>	<b><u>1,694,263</u></b>
<b>Total Water Sewer</b>	<b><u>2,407,178</u></b>

**SECTION IV. Recreation****A. Revenues Anticipated**

Transfer From General Fund	13,745
Appropriation from Recreation Fund Balance	1,000
Plot Fees	0
Grants	0
Donations	<u>0</u>
<b>Total Recreation Revenues</b>	<b><u>14,745</u></b>

**B. Expenditures Authorized**

Operations	14,745
<b>Total Recreation Expenditures</b>	<b><u>14,745</u></b>

**Total 2016-2017 Budget Revenues** **6,552,640****Total 2016-2017 Budget Expenditures** **6,552,640**

**SECTION V. Tax Rate Established**

An Ad Valorem tax rate of \$ .357 per \$100 at full valuation is hereby established as the official tax rate for the Town of Newport for the fiscal year 2018 - 2019. This rate is based on a total estimated valuation of \$294,935,529 and a collection rate of 99.2%.

**SECTION VI. Special Authorization. Finance Officer/Manager**

A. The Finance Officer or Manager shall be authorized to reallocate departmental appropriations among the various objects of expenditure as they find necessary.

B. The Finance Officer or Manager shall be authorized to effect interdepartmental transfers, in the same fund, not to exceed 10% of the appropriated monies for the department whose allocation is reduced. Notation of all such transfers shall be made to the Council on the next succeeding Financial Report.

C. Customers who qualify for a water deposit refund of \$5 or less will be paid in cash when they come to the Town Hall.

**SECTION VII. Restriction - Finance Officer or Manager**

A. The inter-fund transfer of monies shall be accomplished by Council authorization only.

B. The utilization of any contingency appropriation shall be accomplished by Council authorization only.

C. Upon authorization by the Council at some future time, the Finance Officer or Manager may activate the Capital Reserve Fund, and thereafter treat it as any other operating fund.

**SECTION VIII. Utilization of Budget and Budget Ordinance**

This Ordinance and the Budget Document, shall be the basis of the financial plan for the Newport Municipal Budget during the 2018 - 2019 fiscal year. The Finance Officer shall administer the budget and shall insure that operating officials are provided guidance and sufficient details to implement their appropriate portion of the Budget. The accounting section shall establish records which are in consonance with the Budget and this Ordinance and the appropriate statutes of the State of North Carolina.

**Section IX. Policy Changes**

A. Per Council instruction, the manager is authorized to make the following changes.

1. To implement changes to the pay plan for certain positions

**Adopted this 14th day of June, 2018 at Newport, North Carolina by a vote of \_\_\_ ayes, \_\_\_ noes.**

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Maryellen Brown  
Town Clerk

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Dennis Barber  
Mayor