VILLAGE COUNCIL
AGENDA FOR WORK SESSION OF MAY 10, 2016
395 MAGNOLIA ROAD
ASSEMBLY HALL
PINEHURST, NORTH CAROLINA

4:30 P.M.

1. Call to Order.

2. Presentation of the 2017 Strategic Operating Plan.

3. Village Council's work session discussion.

4. Review the preliminary list of items for the 5/24 Regular Meeting agenda.

5. Adjournment.

Vision: The Village of Pinehurst is a charming, vibrant community which reflects our rich history and traditions.
Mission: Promote, enhance, and sustain the quality of life for residents, businesses, and visitors.
Values: Competent, Courteous, Professional, and Responsive.

PRESENTATION OF THE 2017 STRATEGIC OPERATING PLAN.
ADDITIONAL AGENDA DETAILS:

FROM:
Jeff Sanborn

CC:
Natalie Dean & John Frye

DATE OF MEMO:
5/5/2016

MEMO DETAILS:
At your meeting on May 10th, I will present the Council and the public an overview of the Recommended FY 2017 Budget and Strategic Operating Plan. I have attached the Budget in Brief which provides an overview of what is included in the Recommended FY 2017 Budget.

A hard copy of the proposed 2017 Strategic Operating Plan was delivered to you on May 2nd. The document will also be placed on the Village's website and a printed copy will be available at the Village Hall for public inspection, as required by law.

As a reminder, Council has two budget work sessions scheduled to discuss the budget in more detail:

1. Wednesday, May 11th at 4:30 pm
2. Thursday, May 12th at 4:30 pm

We propose to launch an Open Village Hall topic to allow the public to comment electronically on the Recommended FY 2017 Budget after the budget work sessions are held. In addition, a public hearing is scheduled for Tuesday, May 24th at 4:30 pm for the Council to receive public comments on the budget.

As always, thank you for your leadership and direction throughout the process of developing the 2017 Strategic Operating Plan.

ATTACHMENTS:

	Description
🗋	FY 2017 Budget in Brief
🗋	FY 2017 SOP Manager Presentation

Letter from the Mayor

The Village Council is committed to ensuring Pinehurst is a charming, vibrant community which reflects our rich history and traditions. For the past four years, you have given us feedback on our services through the annual Community and Business Surveys. The Council and staff have used that feedback, along with other relevant data, to prepare the 2017 Strategic Operating Plan that includes the FY 2017 Budget.

The Village Council has identified nine goals, supported by 15 strategic objectives on the Balanced Scorecard (BSC). The nine goals of the Village Council for FY 2017 are to:

1. Safeguard the community,
2. Ensure Pinehurst is a premier residential community,
3. Ensure a thriving business community,
4. Provide multimodal transportation systems,
5. Manage solid waste collection,
6. Maintain an active, healthy community,
7. Professionally manage a high performing organization,
8. Attract and retain an engaged workforce, and
9. Maintain a healthy financial condition.

Mayor Nancy R. Fiorillo

The FY 2017 Budget contains a tax rate of $0.295 per $100 valuation, which is ½ cent higher than the previous year's tax rate of $0.29 per $100 valuation. Areas of Focus for the Village for FY 2017 include improving the quality of neighborhoods, providing interconnected neighborhood sidewalks, enhancing community engagement, and increasing employee engagement.

In support of our goals and objectives, we have several Initiative Action Plans (IAPs) that span the five-year planning period of FY 2017–2021. This *Budget in Brief* describes the IAPs and other key items included in the FY 2017 Budget. For more information on IAPs and KPIs, please see the *Strategic Priorities* section of the 2017 Strategic Operating Plan, which may be found on our website at www.vopnc.org.

With diligent financial oversight, the Village's professional staff and Council have been effective stewards of our tax dollars, ensuring the delivery of quality services that our residents, businesses, and visitors require and expect. As in the past, the FY 2017 Budget is prepared utilizing sound financial policies and reflects the Council's thoughtful consideration of the services provided.

Several new initiatives are planned for FY 2017, and I encourage you to read further about those in the 2017 Strategic Operating Plan.

Nancy Roz Fiorillo

Nancy Fiorillo, Mayor
Village of Pinehurst, NC

General Fund Expenditures

The FY 2017 Budget includes 18 Initiative Action Plans (IAPs) at a cost of $1 million to address the Council's nine goals on the BSC. In the five-year planning period there are a total of 23 IAPs at a cost of $6.3 million. Additional information on the five-year IAPs can be found in the *Strategic Priorities* section of the 2017 Strategic Operating Plan. Initiative Action Plans in the FY 2017 Budget and their cost are as follows:

Customer Perspective

1. ***Safeguard the community ($118,900)***
   - Fire Department accreditation - $2,000
   - Traffic pre-emption program - $12,500
   - Traffic enforcement - $104,400
   - Citizens on Patrol - $0

2. ***Ensure Pinehurst is a premier residential community ($110,900)***
   - Land use analysis - $50,000
   - Code enforcement - $13,900
   - Street lighting - $1,400
   - Marketing and promotion - $45,600

3. ***Ensure a thriving business community ($140,000)***
   - Streetscape enhancements - $140,000

4. ***Provide multimodal transportation systems ($506,200)***
   - Greenways - $130,000
   - Neighborhood sidewalks - $376,200

5. ***Manage solid waste collection ($20,000)***
   - Supplemental yard debris collection - $20,000

6. ***Maintain an active, healthy community ($25,000)***
   - Recreation facilities - $25,000

Balanced Scorecard

The BSC contains goals, objectives, and Key Performance Indicators (KPIs) in four perspectives to ensure a balanced approach to the evaluation of achievement of organizational strategy. These four perspectives are:

1. Customer
2. Internal
3. Employee
4. Financial

Internal Perspective

7. ***Professionally manage a high performing organization ($32,400)***
   - Civic engagement - $25,400
   - Continuous process improvement - $7,000

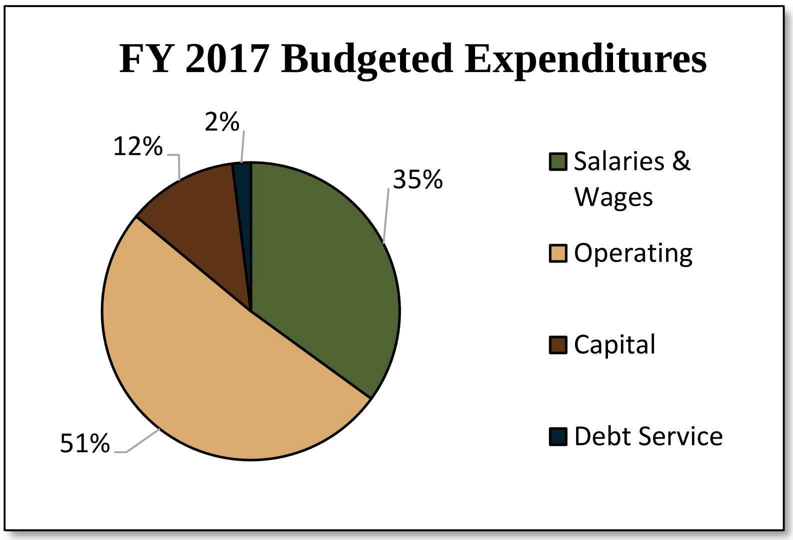
Workforce Perspective

8. ***Attract and retain an engaged workforce ($58,100)***
   - Workforce plans - $1,000
   - Learning and development system - $0
   - Police Department staffing - $57,100

Financial Perspective

9. ***Maintain a healthy financial condition ($0)***
   - There are no IAPs for this Council goal

The FY 2017 Budget for salaries and wages for the Village's 136 full-time equivalents (FTEs) includes a total of $174,000 for merit raises ranging from 0-3%. Also, the FY 2017 Budget includes the second year of a five-year phase out of the dependent coverage health insurance premium subsidy provided by the Village. The Village currently subsidizes 20% of dependent coverage insurance premiums for employees and will continue to pay for 100% of health insurance premiums for employees. This budget includes an increase of 3.75 full time equivalents (FTEs) for seven positions. A two-officer traffic team, paid reserve officers, and an administrative staffing pool are recommended for the Police Department to increase patrol capacity. In addition to Police staffing, a part-time Welcome Center Coordinator is being added to oversee and staff the Welcome Center's operations.



Overall, the FY 2017 Budget totals $18,249,985, or 0.6% below the prior year's amended General Fund budget at December 31, 2015. The recommended budget as presented results in a per capita expenditure of $1,143 based on a projected population of 15,968.

General Fund Revenues

The primary revenue source for the Village is property taxes, accounting for 54% of total revenues, or $9.9 million. In FY 2017, the Village will increase the property tax rate by 1/2 cent to a rate of $0.295 per $100 valuation to address Council goals and objectives.

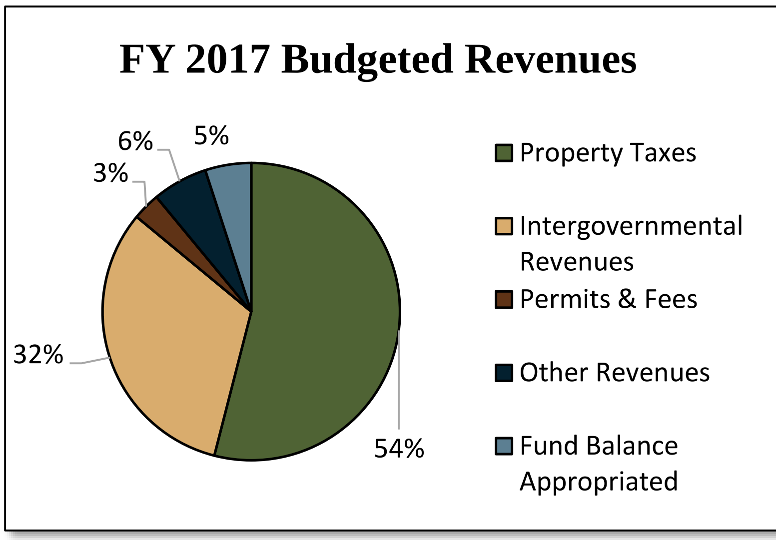
At $5.8 million, intergovernmental revenues are the second largest revenue category, making up 32% of total General Fund revenues. These revenues include local option sales taxes, utility sales taxes, and other state-collected revenues. Of these, local option sales taxes are the largest intergovernmental revenue source for the Village, representing 17% of the budget. 2 cents of the 6 ¾ cents paid in sales tax comes back to the Village to help fund operations.

Permits and fees are projected to generate $583,000 in revenue, representing 3% of total General Fund revenues. Sales and services, investment income, and other miscellaneous revenues account for 6% of total General Fund revenues.

The Village is also budgeting to use $1 million of appropriated fund balance (or Village savings), which represents 5% of total revenues and is above the expected budget-to-actual variance of $957,000, and Because revenues historically come in at 101% of budget and expenditures typically fall 5% below budget, we estimate the Village will actually only use $44,000 of appropriated fund balance in FY 2017. This will result in an ending fund balance of approximately 44.5%, above the Council's target fund balance policy range of 30%-40%.

Long Term Debt

The Village continues to pay down its debts and has only $1.4 million in long-term debt outstanding. Total required principal and interest payments for FY 2017 amount to $413,000, or 2% of the total annual budget. The Village does not plan to issue new debt in FY 2017.



Capital Expenditures

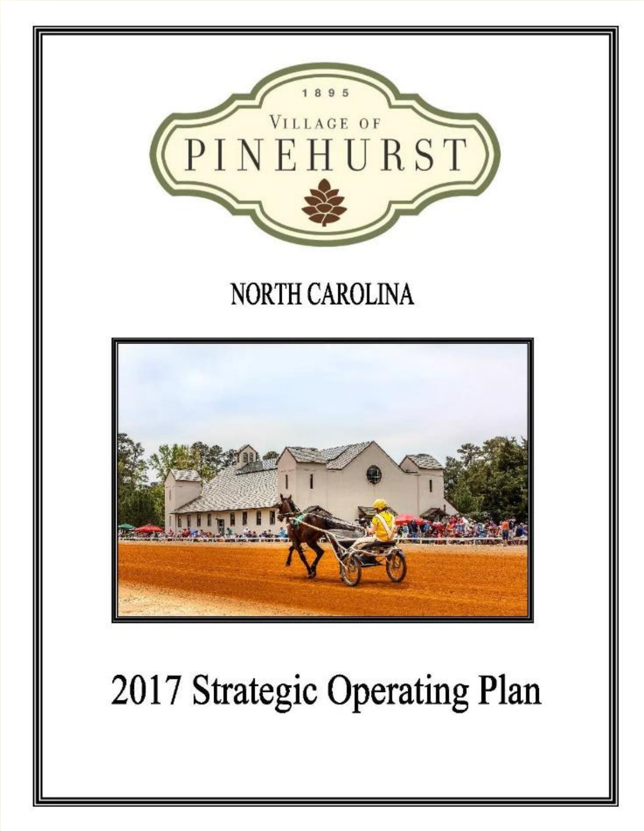
Capital expenditures total $2.1 million in FY 2017, or 12% of the annual budget. Significant capital expenditures include:

- Neighborhood sidewalks in Village Acres ($375,200)
- Streetscape improvements on McCaskill Road ($140,000)
- Completing the Public Services complex redevelopment ($48,000)
- Storm drainage projects ($110,000), and
- Replacement of a 1998 fire engine ($600,000).

Viewing the Budget Online

To view the FY 2017 Budget online, go to www.vopnc.org.

On the Budget "launch" page, citizens can open the entire FY 2017 Budget and Strategic Operating Plan document or an individual section, with a linked table of contents.



Presentation of the
2017 Strategic Operating Plan
May 10, 2016

Overview

1. Council's strategic direction
2. SOP components & enhancements
3. FY 2017 Budget
4. FY 2017-2021 Financial Forecast
5. Next steps

The SOP is policy document, a financial plan, an operations guide, and a communication device. It has been prepared to comply with the GFOA Distinguished Budget Presentation Award.

VALUES

Competent
Courteous
Professional
Responsive

VISION

The Village of Pinehurst is a charming, vibrant community which reflects our rich history and traditions.

MISSION

Promote, enhance, and sustain the quality of life for residents, businesses, and visitors.

Council’s Strategic Direction

Council's Strategic Direction

- Obtained during Strategic Planning Process
- Discussed in *Strategic Priorities* Section (pgs. 38-65)
- SOP complies with Council financial policies, guidelines, and directives
- Four Areas of Focus:
  1. Quality of neighborhoods
  2. Neighborhood sidewalks
  3. Community engagement
  4. Employee engagement

SOP Components and Enhancements

SOP Key Components and Enhancements

- **Budget in Brief**
- **Budget Message**
- **Strategic Operating Plan Guide**
- **Strategic Priorities** – Indicate LT (FY 2021) targets for Key Performance Indicators (KPIs); Expanded descriptions of KPIs and Initiative Action Plans (IAPs)
- **General Fund** – Significantly expanded KPIs on dept. scorecards with ST goal and LT projection; Indicate cost of IAPs in department pages
- **Five Year Financial Forecast** - *<u>NEW</u>* section that describes how we project financial performance
- **Capital Improvement Plan**

FY 2017 Budget

Items Included in FY 2017 Budget

- $18.2 million budget, 2% higher than the original FY 2016 Budget
- ½ cent property tax rate increase to $0.295
- Includes $1 million of appropriated fund balance (savings) – expect to use $44,000, given budget to actual variance
- Expect ending fund balance to remain at 44.5% of expenditures
- Addition of 3.75 full-time equivalents (FTEs) for seven positions:
  - 2.00 Police Officers (Traffic Enforcement Team) – 2 positions
  - 1.00 paid Reserve Police Officers - 3 positions
  - 0.25 Police Administrative staffing pool – 1 position
  - 0.50 Welcome Center Coordinator – 1 position
- 23 Initiative Action Plans (IAPs) at a cost of $6.2 million

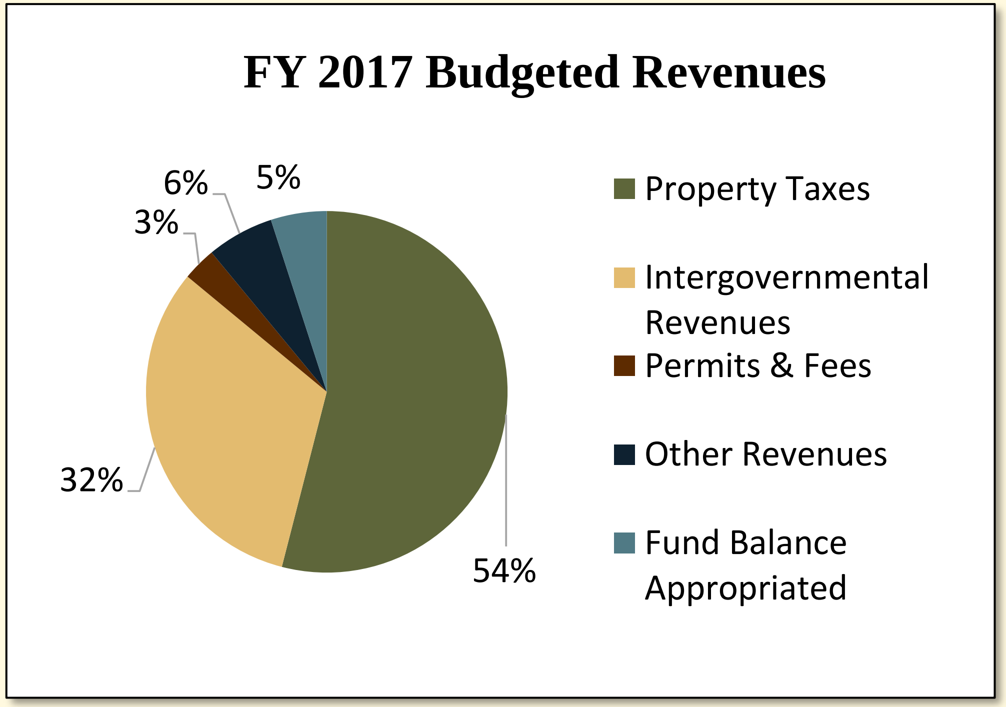
FY 2017 Strategic Operating Plan

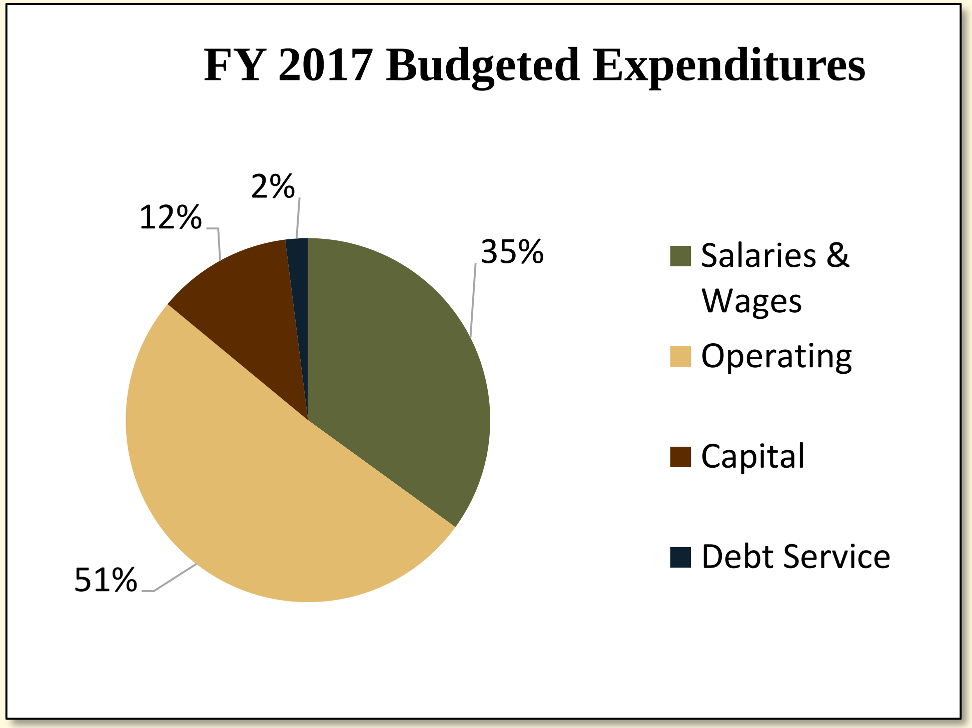
VILLAGE OF PINEHURST 1895

FY 2017 – 2021 Initiative Action Plans (IAPs)	
Traffic preemption program	Greenways
Fire Department accreditation	Neighborhood sidewalks
Citizens on Patrol	Supplemental yard debris collection
Community Watch	Recreation facilities
Traffic enforcement	Civic engagement
Land use analysis	Performance dashboards
Code enforcement	Continuous process improvement
Comprehensive long range plan update	Planning & Inspections automation
Street lighting	Workforce plans
Marketing and promotion	Learning and development system
Streetscape enhancements	Incentive reward program
	Police Department staffing

Items in red are IAPs that support Council's Areas of Focus

FY 2017 Strategic Operating Plan





FY 2017 General Fund Budget Overview

Revenue Assumptions

- Assumes 100 new homes and a 1.0% growth in the real property tax base
- Assumes 8.8% growth in sales tax receipts

Expenditure Assumptions

- Merit pay raises can range from 0% to 3%, same as last year
- Cover 100% of employee cost of insurance and continue the 5-year phase out of dependent care health subsidy
- Estimated 10% increase in health insurance premiums

Significant FY 2017 Capital ($2.1 million)

- $882,000 for routine replacement of vehicles and equipment
- $176,500 for IT infrastructure
- $1,078,000 in other capital additions:
  - Neighborhood sidewalks - $375,200
  - McIntyre Road streetscape improvements - $140,000
  - Storm drainage projects - $110,000
  - Greenways - $75,000

FY 2017-2021 Five-year Financial Forecast

FY 2017-2021 Financial Forecast

– Located in the *Five-Year Financial Forecast* Section

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
General Fund Revenues	$17,248,300	$17,491,000	$17,731,000	$17,975,000	$18,205,000
General Fund Expenditures	18,249,985	18,482,317	19,601,001	18,952,379	19,202,495
Revenues Over (Under) Expenditures	$(1,001,685)	$(991,317)	$(1,873,001)	$(977,379)	$(997,495)
Budget to Actual Variance *	957,511	977,001	1,002,535	1,030,544	1,056,800
Projected Actual Gain/(Loss)	$(44,174)	$(14,316)	$(870,466)	**$53,165**	**$59,305**
Projected Operating Margin	**0.88**	**.088**	**0.89**	**0.91**	**0.91**
Projected GF Balance as a % of Total Budget	**44.5%**	**43.8%**	**36.9%**	**38.4%**	**38.3%**

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

FY 2017-2021 Planned Capital Expenditures

- $10.2 million in capital expenditures over the five-year period
- Located in the *Capital Improvement Plan* Section

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL
Fleet	$882,200	$986,000	$626,000	$549,000	$1,070,000	$4,113,200
Information Technology	$176,500	$81,000	$93,000	$61,000	$13,000	$424,500
Other Capital Improvements	$1,078,000	$1,011,500	$2,060,500	$1,014,500	$528,500	$5,693,000
Total Capital Exp.	$2,136,700	$2,078,500	$2,779,500	$1,624,500	$1,611,500	$10,230,700
Capital Exp. as a % of Total Budget	11.7%	11.2%	14.2%	8.6%	8.4%	10.8%

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

FY 2017 Strategic Operating Plan

Municipal Tax Rates	Tax Rates
Cornelius*	$0.240
Pinehurst	**$0.295**
Davidson*	$0.350
Whispering Pines	$0.370
Southern Pines	$0.380
Foxfire	$0.380
Pinebluff	$0.380
Taylortown	$0.400
Aberdeen	$0.430
Holly Springs*	$0.435
Carthage	$0.495
Chapel Hill*	$0.524
Cameron	$0.575
Robbins	$0.640

**Performance benchmark communities are in RED*

Next Steps

Next Steps

- Two Budget Work Sessions:
  - Wednesday, May 11th (4:30 pm)
  - Thursday, May 12th (4:30 pm)
- Budget Public Hearing:
  - Tuesday, May 24th (4:30 pm)
- Adopt the Budget:
  - Tuesday, June 14th (4:30 pm)

Questions