TO: Mayor Thacker; Town Council

FR: Alex Sewell

DATE: 7/11/16

RE: Changes to the Proposed Budget

**Overview**

Per Town Council’s direction, the proposed budget has been adjusted as follows to cover the increased cost of the required employer contribution percentage for the State Local Government Retirement System. This increased percentage was communicated to the Town after the FY 2016-17 Proposed Budget was presented to the Council.

**Changes**

Section 1. To amend the General Fund, the following expenditures are to be changed as follows:

Account Number Decrease

10-420-07 RETIREMENT $4,367

Account Number Increase

10-510-07 RETIREMENT $11,620.00

10-530-07 RETIREMENT $576.00

10-555-07 RETIREMENT $216.00

10-560-07 RETIREMENT $690.00

10-580-07 RETIREMENT $998.00

This will result in a net increase of $9,733.00 in the expenditures of the General Fund. To balance the budget, the following revenues will be increased:

Account Number Increase

10-399-00 FUND BALANCE APPROIATI $9,733.00

Section 2. To amend the Water & Sewer Fund proposal, the following expenditures are to be changed as follows:

Account Number Increase

10-810-07 RETIREMENT $1,687.00

10-811-07 RETIREMENT $499.00

This will result in a net increase of $2,186.00 in the expenditures of the Water & Sewer Fund. To balance the budget, the following revenues will be increased:

Account Number Increase

30-399-00 FUND BALANCE APPROPRIA $ 2,186.00

**Commentary**

**Please note that these adjustments are reflected in the budget ordinance and budget line-items. However, other supplementary information is unchanged including the Budget Message, Manager commentary, revenue/expenditure discussions, expenditure highlights by department, and fund balance usage predictions.**

As a result, the Town is projected to spend $9,733 more out of reserves in the General Fund (total of $209,733 to $309,733); also, the Town is still not projected to spend any reserve funds in the Water & Sewer Fund.

TO: Mayor Thacker; Town Council

FR: Alex Sewell

DATE: 6/3/16

RE: Local Governmental Employees’ Retirement System: Employer Contribution % Increase

**Purpose**: This memorandum’s purpose is to update the Town Council on the required percentage increase communicated to the Town after the FY 2016-17 Budget Proposal, the increased cost associated with the increase, and the options available to Council.

**Background**: The Town participates in the North Carolina Local Governmental Employees’ Retirement system through the State so that qualifying Town employees have pension and death benefits. To participate, both Town employees and the Town each contribute a percentage of that particular employee’s salary.

While the State Treasurer’s Office in the past has communicated required contribution amount for the upcoming Fiscal Year around the beginning of May in the immediately preceding fiscal year, the most recent communication was after the FY 2016-17 Budget was presented to the Board. Below are the percentage increases:

|  |  |  |  |
| --- | --- | --- | --- |
| **Plan** | **FYE 2016 Rate %** | **New Rate % FYE 2017** | |
|  |  |  |
| Local Firefighter's Class (LOCF) | 6.80% | 7.36% |
|  |  |  |
| Local General Class (LOCG) | 6.80% | 7.36% |
|  |  |  |
| Local Law Enforcement Officer Class (LOCL) | 7.15% | 8.00% |

While there are some funds that can be used as a buffer, the net budget increase needed is approximately $9,733 for the 10 General Fund and $2,186 for the 30 Water & Sewer Fund.

**Discussion**: To continue to participate in the local government retirement system, the Town will need to increase allocated amounts for retirement in most departments in the FY 2016-17 Budget. This can be done by increasing revenues and/or decreasing expenditures elsewhere.

|  |  |  |
| --- | --- | --- |
| **Revenue Increasing Options** | | |
| Increase Fund Balance Reserve Appropriations - $9,733 in General Fund and also $2,186 in Water & Sewer Fund. | | |
| Increase Tax Rate by $0.00324 for the General Fund and Water & Sewer Rates by 0.09%. | | |
|  |  |  |
| **Expenditures Decreasing Options** | | |
| Cutting any equivalent expense. | | |