

Budget Message and Manager's Budget for FY 2015-16

TO: Mayor and Board of Commissioners
DATE: May 11, 2015
FROM: Hazen Blodgett, Town Manager

Attached is the proposed budget for the Town of Matthews Fiscal Year (FY) 2015-16. This represents the most unusual budget in memory. Sales tax and telecommunications tax are healthy – a positive sign the economy has rebounded. However, other items beyond our control have impacted the budget.

The town's tax base is down. As a result of the re-valuation, our tax base (value of all buildings in town) is projected to be down 0.02%. In North Carolina, the counties are responsible for the valuation of buildings. Mecklenburg County Assessor's office is projecting a decrease for Matthews. We are the only jurisdiction in the county with a reduction.

Knowing our revenues will be tight, we've asked the department heads to prepare conservative budgets while maintaining service levels. Excluding the cost of the debt service for South Trade Street, the FY 2015-16 budget is less than a 3% increase over the FY 2014-15 budget.

This budget is recommending a 2.5 cent tax increase - 1.5 cents is for the debt service related to the South Trade Street project. This has been discussed for a number of years and is a result of a 2004 General Obligation Road Bond approved by the voters.

This budget is also includes a one-cent increase due to two events:

- The repeal of the privilege license tax by the State of North Carolina. We budgeted \$200,000 in FY 15 (our final year). \$200,000 represents 0.6 cents on the tax rate;
- This year, we are projecting a tax refund of \$975,000. This represents the over payment of four years of property taxes (FY12, 13, 14, and 15) by our citizens. The Mecklenburg County Tax Assessor's office overvalued Matthews' property values by \$76 million at the time of the reval. In FY12, we budgeted a "revenue neutral" rate. Since property values increased by 10%, we reduced our tax rate by 10%. The County re-valuation shows that values only increased by 7.8%. Thus, we should have reduced our tax rate by 7.8% not 10%. This discrepancy represents 0.7 cents on the tax rate.

The budget's impact on an average \$200,000 home in Matthews would be \$50 a year in additional property taxes.

The budget includes a 3% salary increase pool based on performance for employees. The Capital Improvements Plan shows \$421,400 for capital needs. No money is budgeted from the General Fund Balance (the Town's savings account).

The Town's strategic framework with its seven goals and the department's strategic plans are the guiding principles for developing the budget.

Thanks to the department heads and staff for their hard work, with special thanks to Assistant Manager Jamie Justice and Finance Director Chris Tucker.