

Management's Discussion and Analysis

As management of the Town of Carrboro, we offer readers of the Town of Carrboro's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in the Management Discussion and Analysis section in conjunction with the additional information that we have furnished in the Town's financial statements which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$30,671,328 (net position).
- Driven by revenues exceeding expenditures for the fiscal year, the total net position of the Town increased by \$3,458,159 from the amount previously reported at June 30, 2018.
- At June 30, 2019, the Town's governmental funds had combined ending fund balances of \$21,614,505, an increase of 0.6% or \$132,438 in comparison with the prior year. Approximately 49.7% or \$10,736,962 of this total amount is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the year unassigned fund balance for the General Fund was \$11,233,203 or 51.9% of total General Fund expenditures of \$21,661,648.
- Long-term debt obligations for the Town decreased by 1.0% or \$301,536 from \$29,618,162 at June 30, 2018 to \$29,316,626 at June 30, 2019. This is primarily due to payments made on government obligation bonds and direct borrowing installment purchases.
- The Town of Carrboro maintained its AAA bond rating with Standard and Poor's; and Aa1 by Moody's.

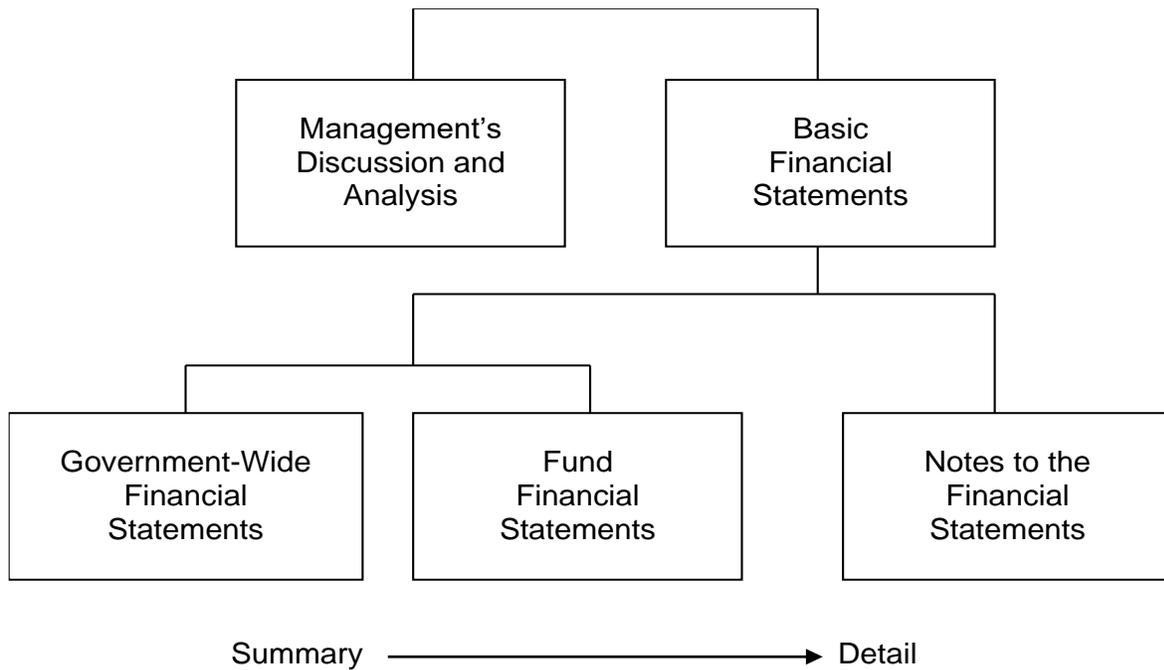
Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Carrboro's basic financial statements. The Town's basic financial statements consist of three components (see Figure 1):

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements.

The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town, including a statistical section.

Required Components of Annual Financial Report
Figure 1



Basic financial statements

The first two statements in the basic financial statements are the **Government-Wide Financial Statements**. Exhibit 1 presents the Statement of Net Position and Exhibit 2 presents the Statement of Activities. They provide information about the Town's current financial position.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government at a more detailed level than the government-wide statements. There are three parts to the Fund Financial Statements: (1) the governmental funds statements; (2) the proprietary fund statements; and (3) the budgetary comparison statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide financial statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to financial statements of a private-sector business. The statement of net position presents information on all of the Town's assets, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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The two government-wide statements report the Town's net position and how they have changed. Net position reported on the *statement of net position* is the difference between the Town's total assets and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition. The *statement of activities* presents information showing how the Town's net position has changed during the fiscal year.

The government-wide statements contain a category called governmental activities that include most of the Town's basic services such as public safety, public works, parks and recreation, and general government. Property taxes as well as state-collected local revenues including sales tax, electric franchise and state telecommunications monies, finance most of these activities.

The government-wide statements are divided into three categories: (1) governmental activities; (2) business-type activities; and (3) component units. The governmental activities include most of the Town's basic services such as public safety, fire, street maintenance, solid waste collection, planning, public spaces, parks, cemetery and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. This includes stormwater services offered by the Town. The final category is the component units. Although legally separate from the Town, the Tourism Development Authority is important to the Town. The Town exercises control over this entity by appointing its members and remits a percentage of taxes collected to each of these entities.

The government-wide financial statements are on pages 17 through 19 of this report.

Fund financial statements

The fund financial statements (see Figure 1) provide a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental funds - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. The Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements are focused on a detailed, short-term view that helps the reader determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town adopts an annual budget for its General Fund, as required by the North Carolina General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. Exhibit 5 shows four columns: (1) the original budget as adopted by the Board; (2) the final budget as amended by the Board; (3) the actual resources, charges to appropriations, and ending balances in the General Fund; and (4) the difference or variance between the final budget and the actual resources and charges.

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Proprietary fund - The Stormwater Utility Enterprise Fund received funding from the General Fund in 2018. As of July 1, 2018, the Town has implemented a user fee schedule for stormwater operations and program expenses. Recognizing that the current user fee may not be sufficient to address the numerous stormwater capital improvements and repairs, the Town is looking to develop a ten-year financing plan and model.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 33 through 62 of this report.

Supplementary information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found beginning on page 63 of this report.

Government-wide financial analysis

**Town of Carrboro's Net Position
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 24,040,027	\$ 22,886,444	\$ 377,801	\$ 194,426	\$ 24,417,828	\$ 23,080,870
Capital assets, net	37,351,059	35,050,326	288,843	-	37,639,902	35,050,326
Deferred outflows of resources	<u>2,576,157</u>	<u>1,875,220</u>	<u>27,599</u>	<u>7,435</u>	<u>2,603,756</u>	<u>1,882,655</u>
Total assets and deferred outflows of resources	<u>63,967,243</u>	<u>59,811,990</u>	<u>694,243</u>	<u>201,861</u>	<u>64,661,486</u>	<u>60,013,851</u>
Long-term liabilities outstanding	29,159,067	29,486,528	157,559	131,634	29,316,626	29,618,162
Other liabilities	<u>1,792,711</u>	<u>1,066,159</u>	<u>4,316</u>	<u>1,834</u>	<u>1,797,027</u>	<u>1,067,993</u>
Total liabilities	<u>30,951,778</u>	<u>30,552,687</u>	<u>161,875</u>	<u>133,468</u>	<u>31,113,653</u>	<u>30,686,155</u>
Deferred inflows of resources	<u>2,858,804</u>	<u>2,102,609</u>	<u>17,701</u>	<u>11,918</u>	<u>2,876,505</u>	<u>2,114,527</u>
Net position:						
Net investment in capital assets	32,602,046	30,401,621	288,843	-	32,890,889	30,401,621
Restricted	3,869,297	2,719,947	-	-	3,869,297	2,719,947
Unrestricted	<u>(6,314,682)</u>	<u>(5,964,874)</u>	<u>225,824</u>	<u>56,475</u>	<u>(6,088,858)</u>	<u>(5,908,399)</u>
Total net position, ending	<u>\$ 30,156,661</u>	<u>\$ 27,156,694</u>	<u>\$ 514,667</u>	<u>\$ 56,475</u>	<u>\$ 30,671,328</u>	<u>\$ 27,213,169</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and the deferred outflows of resources of the Town exceeded liabilities and deferred inflows of resources by \$30,671,328 as of June 30, 2019. The majority of net position (107%) reflects the Town's investment in capital assets (e.g., land, buildings, machinery, equipment, etc.); less any related debt still outstanding that was issued to acquire those items. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion (13% or \$3,869,297) of the Town's net position represent resources that are subject to external restrictions on how they may be used. The remaining balance of (\$6,088,858) (-20%) is unrestricted.

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Several particular aspects of the Town's financial operations influenced the total unrestricted governmental net position.

- Property tax revenues increased by \$248,913 from \$12.9 million in 2018 to \$13.1 million in 2019.
- Local option sales tax revenues increased by 7.1% over the prior year.
- Other tax revenues, primarily from motor vehicle license taxes, remained stable at \$1.6 million.
- Unrestricted intergovernmental revenues increased by \$85,697 or 6.1%.

**Town of Carrboro's Changes in Net Position
Figure 3**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,744,109	\$ 1,776,142	\$ 778,157	\$ -	\$ 2,522,266	\$ 1,776,142
Operating grants and contributions	832,607	641,436	-	-	832,607	641,436
Capital grants and contributions	2,504,061	13,080	-	-	2,504,061	13,080
General revenues:						
Property taxes	13,184,000	12,935,087	-	-	13,184,000	12,935,087
Local option sales taxes	4,880,680	4,557,933	-	-	4,880,680	4,557,933
Other taxes	1,630,840	1,601,362	-	-	1,630,840	1,601,362
Grant and contributions not restricted	1,492,028	1,406,331	-	-	1,492,028	1,406,331
Other	382,223	243,998	5,673	-	387,896	243,998
Total revenues	<u>26,650,548</u>	<u>23,175,369</u>	<u>783,830</u>	<u>-</u>	<u>27,434,378</u>	<u>23,175,369</u>
Expenses:						
General government	\$ 5,246,829	\$ 4,849,740	\$ -	\$ -	\$ 5,246,829	\$ 4,849,740
Public safety	7,735,947	7,469,443	-	-	7,735,947	7,469,443
Planning	1,422,374	1,206,329	-	-	1,422,374	1,206,329
Transportation	1,808,940	1,455,012	-	-	1,808,940	1,455,012
Public works	4,839,876	4,142,187	-	-	4,839,876	4,142,187
Parks and recreation	1,845,198	1,737,984	-	-	1,845,198	1,737,984
Economic and physical development	692,328	220,960	-	-	692,328	220,960
Interest on long-term debt	115,564	127,897	-	-	115,564	127,897
Stormwater	-	-	269,163	251,908	269,163	251,908
Total expenses	<u>23,707,056</u>	<u>21,209,552</u>	<u>269,163</u>	<u>251,908</u>	<u>23,976,219</u>	<u>21,461,460</u>
Increase (decrease) in net position before transfers	<u>2,943,492</u>	<u>1,965,817</u>	<u>514,667</u>	<u>(251,908)</u>	<u>3,458,159</u>	<u>1,713,909</u>
Transfers	<u>56,475</u>	<u>(308,383)</u>	<u>(56,475)</u>	<u>308,383</u>	<u>-</u>	<u>-</u>
Change in net position	<u>2,999,967</u>	<u>1,657,434</u>	<u>458,192</u>	<u>56,475</u>	<u>3,458,159</u>	<u>1,713,909</u>
Net position, beginning	<u>27,156,694</u>	<u>25,499,260</u>	<u>56,475</u>	<u>-</u>	<u>27,213,169</u>	<u>25,499,260</u>
Net position, ending	<u>\$ 30,156,661</u>	<u>\$ 27,156,694</u>	<u>\$ 514,667</u>	<u>\$ 56,475</u>	<u>\$ 30,671,328</u>	<u>\$ 27,213,169</u>

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Governmental activities. Governmental activities increased the Town's net position by \$2,999,967. Key elements of this change are as follows:

- Ad valorem property tax revenues increased by \$248,913 or 1.9% from \$12.9 million in 2018 to \$13.1 million in 2019. This increase is related to the revaluation of real property by the Orange County Tax Administrator in 2018, now that all appeals have been completed.
- Local option sales tax revenues increased by \$322,747 or 7.1% over the prior year. This reflects the continuing improvements in the local economy and expansion of local option sales tax to now include services, such as auto repairs and other personal services.
- Other tax revenues, primarily from motor vehicle license taxes, remained stable at \$1.6 million.
- Unrestricted intergovernmental revenues increased by \$85,697 or 6.1% due to increase in sales tax collections for electric and natural gas utilities.
- Revenues from fees and permits decreased by \$103,624 or 7.5% from \$1,377,586 in 2018 to \$1,273,962 in 2019. This is related to the cyclical nature of private development (i.e., permits are issued in one year and construction takes place the following year).
- Capital grants and contributions increased by \$2.5 million from \$13,080 in 2018 to \$2,504,061 in 2019, due primarily from increase in federal funding for capital projects. As a general rule, capital grants and contributions vary from year to year depending upon the completion and commencement of various capital projects.
- Expenses for total governmental activities increased by \$2,497,504 or 11.8% from \$21,209,552 in 2018 to \$23,707,056 in 2019.
- Expense for interest on long-term debt decreased from \$127,897 in 2018 to \$115,564 in 2019. The Town has not issued any major debt since the 2013 general obligation bonds for construction of sidewalks and greenways, and did not undertake lease purchases for vehicles and equipment in 2019.

Business-type activities. Business-type activities increase the Town's net position by \$458,192 due to the establishment of user fees for stormwater services in 2019.

Financial Analysis of the Town of Carrboro's Funds

Governmental Funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$11,233,203, an increase of \$599,041 or 6.1% from \$10,634,162 in 2018. The total general fund balance for 2019 was \$17,704,251, a 7.1% increase over the 2018 amount of \$16,535,093. This increase in fund balance is due primarily to actual revenues (excluding other financings) exceeding expenses by \$2.2 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 51.9% of total General Fund expenditures of \$21,661,648. Total fund balance represents 81.7% of total General Fund expenditures.

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At June 30, 2019, the governmental funds of the Town of Carrboro reported a combined fund balance of \$21,614,505. The reported combined fund balance of the governmental funds includes a fund balance within the Bond Fund of \$159,221 and a fund balance within the Capital Projects Fund of \$2,824,693. These fund balances are either restricted or committed for capital project purposes.

General Fund Budgetary Highlights. During the fiscal year, the Town revised the General Fund budget on several occasions. Generally, these amendments fall into one of three categories: (1) to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) to recognize new funding amounts from external sources, such as federal and state grants; or (3) increase appropriations that become necessary to maintain services. The General Fund budgeted expenditures were increased by \$958,520 (4.2%) from an original appropriation of \$22,612,722 to a final appropriation of \$23,571,242.

The comparison of revenue and expenditure financial activity with budgeted estimates suggests that the Town budgeted adequately for ongoing operations. Total revenue receipts were \$23,899,184, compared to budget of \$21,827,531.

Revenues from taxes (i.e., property, local option sales, and other) represent 82.1% of the total revenues. Property, sales and other tax revenues were above budget projections (\$1,598,649 or 8.9%).

Revenue from permits and fees represent 5.3% of total revenues, and were over budget projections by \$80,877 or 6.7%. Total revenue for permits and fees this year was \$1,273,962 compared to \$1,377,586 in 2018. These revenues fluctuate based on the number of approved private developments that actual begin or complete construction in a given year. Revenues from sales and services, and investment earnings were above budget projections by \$118,539 or 35.1%.

The unrestricted intergovernmental revenue receipts exceeded budget projections by \$69,939 or 4.9% for electric franchise, piped natural gas, video sales programming, telecommunication, and wine and beer licenses or taxes. These revenues totaled \$1,492,028 compared to \$1,406,331 in 2018.

Expenditures, as required by budget ordinance, should not exceed appropriated levels. Total expenditures were \$21,661,648, which was \$1,909,594 less than the final budget of \$23,571,242. All spending by function was in compliance with budgetary requirements.

All expenditures were less than final budget at June 30, 2019, but were 6.5% more than the prior year. Expenditures for general government were 14.3% higher than the prior year, increasing from \$4,735,147 in 2018 to \$5,414,220 in 2019. Actual expenditures for public safety decreased by 1.1% from \$6,804,321 in 2018 to \$6,724,929 in 2019. Actual expenditures for planning increased by 17.3% from 1,134,657 in 2018 to \$1,331,441 in 2019. Transportation expenditures increased 24.3% from \$1,455,012 in 2018 to \$1,808,940 in 2019. Public works expenditures increased by 7.1% from \$3,571,134 in 2018 to \$3,823,825 in 2019. Recreation and parks expenditures increased by 6.9% from \$11,503,476 in 2018 to \$1,607,124 in 2019. Debt service expenditures decreased by 16.6% from the prior year.

Capital asset and debt administration

Capital assets. The Town's investment in capital assets for its governmental-type activities as of June 30, 2019 totaled \$37,351,059 (net of accumulated depreciation) and the Town's investment in capital assets for its business-type activities as of June 30, 2019 totaled \$288,843. These assets include buildings, roads, land, machinery and equipment, and vehicles. Major capital asset transactions during the year include the replacement of police vehicles and solid waste equipment.

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**Town of Carrboro's Capital Assets (Net of Depreciation)
Figure 4**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Capital assets not being depreciated:						
Land	\$ 14,747,956	\$ 14,747,956	\$ -	\$ -	\$ 14,747,956	\$ 14,747,956
Construction in progress	<u>4,944,914</u>	<u>4,023,527</u>	<u>114,998</u>	<u>-</u>	<u>5,059,912</u>	<u>4,023,527</u>
Total capital assets not being depreciated	<u>19,692,870</u>	<u>18,771,483</u>	<u>114,998</u>	<u>-</u>	<u>19,807,868</u>	<u>18,771,483</u>
Capital assets being depreciated:						
Buildings and systems	5,449,562	4,414,399	-	-	5,449,562	4,414,399
Improvements other than buildings	757,264	795,346	-	-	757,264	795,346
Infrastructure	8,461,765	8,780,528	-	-	8,461,765	8,780,528
Machinery and equipment	1,655,005	809,489	173,845	-	1,828,850	809,489
Vehicles	<u>1,334,593</u>	<u>1,479,081</u>	<u>-</u>	<u>-</u>	<u>1,334,593</u>	<u>1,479,081</u>
Total capital assets being depreciated	<u>17,658,189</u>	<u>16,278,843</u>	<u>173,845</u>	<u>-</u>	<u>17,832,034</u>	<u>16,278,843</u>
Total capital assets	<u>\$ 37,351,059</u>	<u>\$ 35,050,326</u>	<u>\$ 288,843</u>	<u>\$ -</u>	<u>\$ 37,639,902</u>	<u>\$ 35,050,326</u>

Additional information on the Town's capital assets can be found on pages 43 and 44 of this report.

Long-term debt. As of June 30, 2019 and 2018, the Town of Carrboro had the following long-term liabilities:

**Town of Carrboro's Outstanding Debt
Figure 5**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Government obligation bond	\$ 3,100,000	\$ 3,350,000	\$ -	\$ -	\$ 3,100,000	\$ 3,350,000
Premium on bonds	60,831	65,698	-	-	60,831	65,698
Direct borrowing installment purchases	1,588,182	2,162,730	-	-	1,588,182	2,162,730
Compensated absences	805,969	737,005	10,768	8,122	816,737	745,127
OPEB liability	19,474,398	19,639,836	112,569	113,525	19,586,967	19,753,361
LGERS net pension liability	2,701,088	2,013,788	34,222	9,987	2,735,310	2,023,775
Law enforcement officers' total pension liability	<u>1,428,599</u>	<u>1,517,471</u>	<u>-</u>	<u>-</u>	<u>1,428,599</u>	<u>1,517,471</u>
Total	<u>\$ 29,159,067</u>	<u>\$ 29,486,528</u>	<u>\$ 157,559</u>	<u>\$ 131,634</u>	<u>\$ 29,316,626</u>	<u>\$ 29,618,162</u>

Total long-term liabilities for the Town decreased by \$301,537 (1.0%) during fiscal year 2019 primarily due to payments on government obligation bonds and the direct borrowing installment purchases. The Town had debt retirement for this fiscal year with the principal repayment of \$824,548. There were no additions to debt during 2019.

As mentioned in the financial highlights section of this document, the Town currently holds an AAA bond rating from Standard and Poor's and maintains Aa1 bond rating from Moody's Investor Service. These bond ratings are a clear indication of the Town's sound financial condition.

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North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town is \$186,449,856. The Town has no general obligation bonds authorized but unissued at June 30, 2019.

Additional information regarding the Town's long-term debt can be found beginning on page 58 of this report.

Economic factors and next year's budget and rates

The following key economic indicators will impact the Town.

- Low unemployment. The Town's low unemployment rate (as reflected in the county-wide Orange County rate) of 3.7%, below the statewide rate of 3.9%. This trend is expected to continue for the next year.
- Stable property tax base. The Town expects to continue to collect property taxes at a rate of 98 to 99%.
- Continued local sales tax growth is expected to continue into the next fiscal year.
- Additional revenue options for local governments pending in the North Carolina General Assembly are being closely monitored for any potential adverse impact on local governments.

Budget highlights for the fiscal year ending June 30, 2020

Governmental activities. The Town has approved a General Fund budget in the amount of \$24,577,008 for fiscal year 2020, which is a 7.5% increase over the original adopted fiscal year 2019 budget. While the economy continues to show signs of improvement, it is incumbent upon management to continue its disciplined approach and not become too optimistic in projecting revenues.

The primary focus in preparing the fiscal year 2020 budget was to develop one that:

1. Implemented the Board's strategic priorities;
2. Managed costs while improving services to citizens;
3. Avoided increasing the tax burden for Town residents and local businesses; and
4. Provided salary adjustments for Town employees.

The two largest sources of revenues, property taxes and sales taxes, are projected to increase. Property taxes are projected to increase 8.6% and sales taxes are projected to increase 3.9% due to the improving economy. The tax rate for real property equals \$59.94 cents per one hundred dollars (0.5994), which is a ½ cent increase from fiscal year 2019. The ½ cent increase when combined with the ½ cent increase in 2019 totals 1 cent that is dedicated for and is to be used solely for affordable housing.

Sales tax revenues over the past year continue to show signs of recovery and are anticipated to grow by 3.9% over the 2018-19 level due to an increase in the sale of general retail items (e.g., food, clothing, household goods, services, etc.) and overall improving economy. In 2017 the local sales tax was expanded by the North Carolina General Assembly to include certain services which had not been taxed in the past.

Town of Carrboro, North Carolina Management's Discussion and Analysis

The Town continues to scrutinize its operating expenses and seek more effective and productive methods for service delivery. While the overall total of operating expenses in 2020 will increase, the Town will continue to implement several initiatives began in previous fiscal years. These include implementation of a parking plan, solid waste study, gold level bicycle designation, new permitting software for planning, and 203 Project Development. In 2018-19 the Town implemented a user fee structure for the storm water utility enterprise fund operations to address regulatory compliance and increased flooding issues in the Town. This user fee provides a revenue source for stormwater management and eases the dependency on the General Fund.

Capital outlays in the General Fund will decrease slightly from \$299,379 in 2019 to \$285,600 in 2020. These capital outlays will be primarily for vehicles and equipment purchases. The budget for debt service in 2020 is \$1,245,244 compared to \$1,094,285 in 2019.

Business-type activities. In 2019, the stormwater utility enterprise fund established a user fee schedule, which has eliminated the need for major financial support from the General Fund.

Requests for information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, 301 West Main Street, Carrboro North Carolina 27510. Other related financial documents may be reviewed online at the Town's website at: <http://www.townofcarrboro.org>.