

May 29, 2013

The Honorable Mayor and Town Council
Town of Edenton
P O Box 300
Edenton, NC 27932

Dear Mayor and Members of the Town Council:

Enclosed please find for your consideration the proposed budget for Fiscal Year beginning July 1, 2013 and ending June 30, 2014. The budget has been prepared in accordance with the NC Local Government Fiscal Control Act. The General Fund budget as proposed is based on ***no increases in ad valorem taxes***. The budget keeps the current tax rate of \$.29 cents per \$100 of property valuation. If you adopt the budget ordinance with the tax rate of \$.29, this will be the ***seventh year in a row*** that the Council implements a budget that provides for the continuation of services to our citizens and taxpayers without increasing property taxes.

Local governments continue to face enormous pressure for efficient delivery of services, reduced overall costs and improved customer service. The staff is keenly aware of these pressures. The Town Council's Vision Statement makes it clear to staff that every day we are to take advantage of opportunities to analyze and evaluate existing resources and services and make improvements that will have a positive impact on the town. For a small town in rural North Carolina to be able to continue to provide services for seven years in a row without a tax increase is quite an accomplishment. This is even more significant when we acknowledge the economic downturn of the last five years. Obviously our local economy continues to struggle to rebound. The current state of the local economy puts even more pressure on the Mayor and Council to make certain the Town operates utilizing our personnel and resources in the most efficient manner possible. As we prepared the proposed budget for 2013/14 we spent considerable time reviewing and studying historical fiscal data. I assure you that our revenue projections are conservative and realistic. We believe that this budget plan will maintain the overall quality of services we provide and maintains a conservative fiscal plan in all of our operating funds including the General Fund, Water and Sewer Fund and Electric Fund.

As has been the case over the last five years, the budget really is a continuation of existing services. There are no new initiatives to speak of. We have increased the budget for enforcement and implementation of the Town's Minimum Housing Code and Prevention of Demolition by Neglect Ordinances. Planner Sam Barrow has implemented our revitalized program. If all goes as planned, a number of enforcement actions will take place in the first half of the new fiscal year. In addition to minimum housing code enforcement, Sam is working on enforcement of the Prevention of Demolition by Neglect Ordinance for

properties within the Town's Historic District. The Fire Department's budget includes funding to apply epoxy flooring at the station in the bay, workshop and laundry area to prevent falls and injuries to personnel. The trucks typically leak water on the floor, and the other areas also are prone to have water spills. We have included funds to continue the replacement of three – four sets of turn-out gear, replace duct work and replace overhead lights in the living room. The Police Department budget includes funding to utilize part-time police officers to help supplement part-time officers via the auxiliary officer line item. Part-time officers help augment patrols during busy days and evenings and certain times of the month. We also included a \$2,500 appropriation to help organize and implement a Police Explorers program which targets high school students interested in a career in law enforcement. The Public Works divisional budgets reflect a change and increased efficiencies implemented for the solid waste division enabling us to create a storm water maintenance crew whose primary responsibility will be to maintain and manage drainage ditches and storm water control systems. The budget also includes a \$30,000 appropriation from reserves to fund the architectural design for the new police station.

The recommended budget includes a flat dollar (approximately \$340) increase for employees earning less than \$33,000 and a 1% increase for employees earning above that level. This plan was implemented for the current fiscal year and helps the employees at the lower end of the pay scale. Also included are funds for adjustments based on the salary survey we have completed and are putting the final touches on for Council review. The study recommends a number of reclassifications and will be presented to the Council in July. The budget as proposed continues to provide a Town funded 1% of salary allocation to employees 401K deferred compensation program for non-law enforcement personnel. Below is a more detailed summary of each of the funds and attached please find the detailed line item request for each department. Randy Jordan has worked hard to make sure that the detail includes current year to date expenditures through April 30 and projections for year end expenditures as well as FY 2011/12 actual expenditures.

General Fund

The General Fund revenues have been reviewed, prepared and are in line with the Town Council's financial management plan. We utilize the NC League of Municipalities Fiscal Analyst report that gives an overview of the annual state-wide forecast of municipal revenues. The budget assumes a 97.62% collection rate for ad valorem taxes and an 85.10% collection for motor vehicle taxes. We are hopeful that the motor vehicle collection rate will be higher as this is the year that the State is implementing a new program for tax collection which will begin in two months. We actually decreased our projections for sales tax based on trends over the last few months. We have not made any adjustments in the proposed budget for the NC General Assembly's tax reform initiative. We continue to monitor legislation and are aware that if adopted, the Town would have to amend our budget to do away with our privilege license program, amend our sales tax projections and modify utility franchise taxes. We made the decision to keep the land transfer tax revenue the same as this fiscal year (\$64,000). All other municipal

revenues we have held fast to prior year actuals. The budget assumes rent from the NE Commission, through the end of June 2014.

We have prepared the budget assuming that the NC General Assembly is not going to extend the transitional hold harmless payment that expired in 2012. As you know, we have been lobbying very hard along with other municipalities to have this hold harmless payment extended for the next three years. The Senate budget does not include transitional hold harmless payments which was expected. The League's lobbying efforts have been focused on the House side of the budget and we still have modest hope that we will prevail but from a fiscal standpoint we don't think it's smart to assume this revenue will be coming our way. Therefore we propose to appropriate \$40,000 from fund balance this year and recommend that next two years continue but with decreasing amounts. We call this our own local transitional hold harmless payment.

The proposed General Fund is \$276,697 less than the approved budget for the current fiscal year. This current year budget included one-time expenditures for the CAMA Lighthouse Grant (\$125,000) and the Taylor Theater Movie Equipment (\$157,000). So you can see the General Fund proposed budget is truly a continuation budget.

Electric Fund:

The proposed Electric Fund budget assumes no changes to our current rate structure. Electric Director Glenn Andersen has worked hard analyzing prior years' electric purchases and sales to formulate the proposed revenue and expense projections for power purchases and sales. This is a difficult task, and to help give you an idea of all the factors that Glenn analyzes, I have included a copy of one of the historical data sheets he utilizes. We have included funds to purchase a replacement line/digger truck. This new truck is estimated to cost \$240,000 and will replace a 1985 line truck. Glenn explained to me that in addition to being "worn out" the truck does not have newer safety features. We anticipate that in the first quarter of the new fiscal year the second peak generator will be totally repaired and back on line. The budget reflects this milestone, and hats off to Glenn and his team for persevering with our insurance carrier, engineer consultant and diesel generator vendors! We are fortunate to have great insurance to cover the replacement of one unit that caught fire and similar good coverage to repair the second unit that suffered a fire six months later. We have kept the transfer from the Electric Fund to the General Fund at the same level and we have eliminated the transfer to the Airport Fund by replacing it with a transfer from the Water and Sewer Fund. The General Assembly adopted legislation last year that becomes effective in FY 2014. As you know the legislation limits transfers to a formula that the Town abides by but we also have traditionally transferred funds from Electric to the Airport. This practice was noted by the LGC and we were urged to reconsider it. I have given it a lot of thought and there is no way the Airport can operate without additional revenue. The transfer to the Airport Fund has always been viewed as an investment in economic development, and therefore it is appropriate for the transfer to come from the Water & Sewer Fund.

Water & Sewer Fund:

The Water & Sewer Fund includes the recommended rate increase that is consistent with the 2011 Rate Study. That study called for modest rate increases in water and sewer rates over a ten year period to avoid “rate shock”. FY 2013/14 is the second year of rate increases. A family of four typically uses 4,000 gallons of water. This current year a family of four monthly bill for water & sewer is \$42.80, and would increase by \$3.55 to \$46.35 a month with this proposed rate increase.

Powell Bill Fund:

The Powell Bill Fund proposes to utilize \$182,794 from Powell Bill reserves to help fund \$99,000 for street overlay work, \$20,000 to replace a motor in the street sweeper and \$64,400 to fund Blount Street storm water drainage relocation and repairs. We have included \$50,000 for new sidewalks. We plan on tackling the much needed sidewalk on West Water Street.

In Closing:

The proposed budget is realistic and sensible. The Mayor and Council have stressed to staff that we need to be cautious instead of being optimistic and we need to be resilient in maintaining the Town’s important infrastructure and resources. We will continue to examine ways we can improve service delivery and we welcome suggestions and ideas on we can enhance the quality of services delivered to our citizens. The Department Heads and I look forward to reviewing the proposed budget with you in the coming weeks. The Public Hearing is scheduled for Tuesday, June 11, 2013 at 6:00 p.m. This budget message and proposed budget will be posted on the Town’s web site and is available for inspection at Town Hall. The Budget Ordinance will be presented for adoption at your June 24th Special Meeting.

Sincerely,

Anne Marie Knighton
Town Manager

cc: Department Heads