



May 31, 2022

The Honorable Mayor and Town Council
Town of Edenton
PO 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, 2022 and ending June 30, 2023. The budget has been prepared in accordance with the NC Local Government Fiscal Control Act. Below is a summary of the five funds that constitute the Town's overall budget, highlighting significant changes as compared to the current fiscal year's budget. The General Fund budget for FY 2022/23 as proposed is based on a tax rate of 41 cents, which represents a one-cent tax decrease. This is based on the Chowan County Reevaluation. There was not a significant drop in the tax rate and I also requested a transfer from fund balance for a couple of reasons. First, the NC Local Government Employees' Retirement System mandated employer contributions be increased from 11.41% in FY 2022 to 12.15 in FY 2023 which will also increase the Town's cost. Also, keep in mind that the Council adopted the pay study recommended by the Maps Group in 2018 so the salary increase for this fiscal year is expected to be 5%. Second, with supply chain issues that have caused significant price increases in materials as well as fuel prices, the day to day operating expenses have also increased. We also have aging equipment that can no longer be repaired and will need to be replaced.

The General Fund budget \$7,095,528 reflects an increase of \$993,834 (16.28%) from the FY 2021/22 General Fund. The Electric Fund that also includes the Capital Project Fund budget of \$13,335,198 reflects a 9.73 % increase from the FY 2021/22. The Water & Sewer Fund budget of \$3,250,339 reflects a 16.80%. This is largely due to added debt service payments as well as replacement of aging equipment that can no longer be repaired. The Airport Fund and Powell Bill Fund are in line with last fiscal year budget with no noticeable increase.

Below is summary of each fund.

General Fund:

We always try to be conservative with our revenue projections. Sales Tax Revenue has consistently increased over the last few years. Tourism as well as online sales has contributed to that. Land Transfer Tax collections for FY 2021/22 due to the housing market uptick but we continue to be conservative as we could possibly enter into another recession due to inflation. Looking forward to FY 2022/23, it appears that investments in real and personal property will generate additional tax revenue for the Town. Current investments by the Community Block Development Grant as well as private rehabbers will only strengthen

the property values and increase utility services. Considering commercial investments, downtown is still flourishing and the investment in the Hotel Hinton and the continued improvements to the Conger Building as well as other industrial improvements will add value to the Town's tax base.

Below is brief summary of departmental budgets.

Elected Officials – Budget consistent with last fiscal year with a slight increase in community outreach funding as well as continued support for the work of the Human Relations Commission.

Administration – Increase due to general insurance & bond renewal as well as building repairs.

Police Department – Increase primarily due to increase in pension fund as well as added debt service and repairs to fleet & equipment.

Fire Department – Increase due to addition of 2 full time fire fighters as well as new debt service payments.

Planning & Development – Budget consistent with last fiscal year.

Fleet Maintenance – Budget increase primarily due to fuel costs.

Streets & Storm Water: Budget reflects significant increase due to request for additional funding for maintenance/repairs of sidewalks and curbs; purchase of additional equipment for the vac truck; as well as the purchase of a new leaf truck. This will not replace the current leaf truck but will add to the fleet as the current one will be used for smaller projects and as a backup when the new truck is down for maintenance and/or repairs.

Sanitation: Slight increase due to increase in fuel prices as well as aging equipment and increase in land fill costs.

Mosquito Control: Budget consistent with last fiscal year.

Landscape, Parks & Playgrounds: Increase due to additional staff needed as well as fuel prices along with a 15% increase in cemetery upkeep by outside contractor. Department also requests purchase of equipment that will aid in cutting of ditch banks in a safe manner.

General Fund Special Programs: The debt service payments for the new police station, bulkhead replacement at the waterfront as well as the street resurfacing are funded here. Funds for the consultant to provide the mandatory OPEB Statements (Other Post-Employment Benefits) that are part of the Financial Statements the auditor prepares are budgeted here. Contribution to the County for the Town share of expenses for Building Inspection Services as well as Animal Control are also expensed here.

Electric Fund: The budget as proposed recommends no changes to the Town's retail electric rates. The Power Agency is not projecting a rate change in FY 2022/23, The Board of Commissioners voted to keep this the Same in January of 2022. Mike Nicholls has done a great job assessing, planning and now implementing investments in the distribution system that will improve reliability and help minimize outage areas. These improvements have also helped capture true electric usage which has added to the revenue side. Expenditures increased due to salary & pension requirements as well as increase cost of fuel and materials. The department is requesting the purchase of new equipment as well to replace outdated equipment.

Water & Sewer Fund:

The Water & Sewer Fund as balanced includes rate increases (of 1.5%) to fund the debt service payments for the Water Treatment Plant, Sewer Inflow and Infiltration Project, the Automatic Meter Reader Project, and the Water System Ground Storage Tank project. Also needed is a maintenance and repair on various water tanks and the purchase of a new vehicle and camera locator that will assist in searching lines for blockages. This increase is also due to supply & material cost increases the town has seen over the last year that has been as high as 30%.

Powell Bill Fund:

The Powell Bill Fund budget is balanced with minimal increase but the Town will continue to request that Council consider the recommendations offered by the Wooten Company for establishing a stormwater fee. And while the Town has made significant investments in repairing and paving streets there is more work to be done especially with sidewalk and curb and gutter additions. With declining revenues from Powell Bill funds, the Town should be advocating to the General Assembly and the NC League of Municipalities for reallocation of funding to help rural small towns maintain town streets. Town streets are used by users who don't pay town taxes!

Airport Fund

The Airport Fund is relatively the same with the exception of fuel price increases and salary adjustments.

Capital Projects Ordinances: As noted last year, there are a few projects in the Capital Projects Ordinances that are on-going and funded through various grants and loans that are part of the overall Budget but not included in the General Fund or the Enterprise Funds (Electric, Water & Sewer, Airport and Powell Bill). The Community Development Block Grant has appropriated \$750,000 for housing improvements. Also, the General Assembly has appropriated \$5,500,000 towards the Harbor Town Ferry System which will increase tourism. While considering these potential new homeowners and tourists, the Council plan to replace vehicles in the current fleet that are well over 15 years old and past usable condition. Also, in the near future as the new high school is built, the fire department will need to find a new home. Chief Bass has recommendations and we will work together with the County to present to Council.

In Closing:

In the challenges of post-covid economy, the proposed budget is our best estimate of revenues and expenses needed to provide vital services to citizens. We look forward to reviewing with the Finance Committee and hearing from citizens at the Public Hearing scheduled for Tuesday, June 14, 2022 at 6:00 p.m. The proposed Budget is posted on the Town's Web site and is available for inspection at Town Hall. The Budget Ordinance will be presented for consideration for adoption at your Special Meeting of Monday, June 28, 2022 at 6 pm.

Sincerely,

Corey Gooden
Town Manager

cc: Department Heads