



June 12, 2020

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, 2020 and ending June 30, 2021. 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 2020/21 as proposed is based on a tax rate of 40 cents, which represents a no change to the current tax rate. The You will see the amount of tax dollars generated from a 40 cent tax rate is approximately \$115,000 higher than generated in this current fiscal year with a 40 cent tax rate. This is mainly due to increase in taxable personal property, thanks mainly to TACO BELL.

We were extremely cognizant of the likely economic impacts COVID-19 will have on the finances of the business community and on our citizens. Every effort has made to avoid revenue increases that would burden our citizens in these challenging times. However, the recommended budget does support the Council's priorities to continue to grow the population of the town and invest in infrastructure needs for the Town of Edenton.

The General Fund budget (\$5,561,988) reflects an increase of \$110,578 (2%) from the FY 2019/20 General Fund. The Electric Fund budget (\$11,938,763) reflects a \$155,985 (less than 1/4 %) decrease from the FY 2019/20. The Water & Sewer Fund budget proposes a budget increase of \$244,495 (9%) over the FY 2019/20 Budget. The W&S Fund as proposed includes rate increase to fully fund the debt service payment (\$90,136) for USDA Loan for upgrades and renovations of the system's two water treatment plants. The Powell Bill Fund (street, sidewalk maintenance & improvements) reflects proposed investments to the E. Water St Storm Water Pump Station. Remember the funding for the proposed Streets Repairs & Resurfacing Plan Phase II is included in the Capital Project Ordinance. The Airport Fund (\$247,753) is proposed to decrease by \$19,108 (7.5%). The decrease is in anticipation of lower fuel sales during the COVID-19. Below is summary of each fund.

General Fund

COVID-19 has and will continue to have dramatic impacts on our lives for the next 12 to 18 months and possibly beyond. The true economic impacts will likely come in to focus gradually. Our small businesses – personal care services, restaurants, fitness centers, the movie theater, the and our retail stores have been hit hard. Edenton and Chowan County fortunate that the county employment rate was in the bottom 10 of North Carolina's 100 counties. We went from 4.6% in March to 7.9% in April. The State rate for the month of April was 12.2%, a 7.9% increase from March's unemployment rate of 4.1%. Fortunately, many

of our industries and agriculturally-based businesses were able to continue operations during the Stay at Home Orders. The stability of the industrial and agricultural base of our local economy is so important to the overall economic viability of our community. We will watch for the May and June unemployment rates to see if we are recovering jobs as we move from Phase 1 to Phase 2 and now likely Phase 2.5 of the Governor's Reopening of the Economy. Unemployment rates and the "new normal" of social distancing, reduced travel and touring, reduced capacity at restaurants all impact sales taxes, gas taxes, motor vehicle taxes, trolley revenue and many other revenue accounts that make up the General Fund. We have tried to be conservative with our projections and relied on guidance from the NC League of Municipalities.

The net increase in property values does allow us to budget for items you set as priorities as part of the 2020 Vision Statement. Community Outreach for the Police Department, printing and mailing expenses for the Quarterly Newsletter and promotion of Conversations with Council, funding to support the proposed Human Relations Commission are some examples. We also are able to continue to invest in our employees with performance-based evaluations and thank you for investing in a solid health insurance program for the employees. Also, we have to budget for significant increase in the Town's contribution to the Local Government Employees Retirement System. We are required to increase contribution from the current 7.75% to 8.95% in FY 2020/21. Increases are projected by the Board of Trustees over the next three years so by FY 2023 local government contribution will be 12.45%.

We did reduce the monthly fee for solid waste & recycling by \$1 per month to reflect the anticipated suspension of the recycling program for the upcoming fiscal year. We also eliminated the 50 cent per month temporary fee that was levied in FY 2019/20 on residential accounts to generate \$20,000 needed for improvements at the Transfer Station. For a variety of reasons, we were not able to construct the improvements, but are preparing for the improvements to be made in FY 2020/21. Therefore, we have appropriated the funds that were not expended in FY 2019/20 to carry forward in to the new fiscal year. I reported at the last Council Meeting that no fund balance was being utilized to support the proposed budget – this expenditure was planned and funded in the current fiscal year, but still is labelled as appropriated fund balance.

Below is brief summary of departmental budgets.

Elected Officials – This budget reflects (\$9,000) decrease due to due to the November elections. Funding proposed to support the Human Relations Commission.

Administration – Slight decrease based on the legal defense expenses for Pembroke Hall fence issue.

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Police Department – Increase by \$96,000 due to debt service payments for replacement of vehicles; increase for downtown ambassadors. We are expecting to take possession of the new body cameras shortly but that expense is funded through a grant. Funding is included for purchase of additional Bolwarp devices to help officers with de-escalation techniques.

Fire Department – \$65,000 increase, mainly due to the department being at full-staff, capital improvement to replace roof at the station, \$13,000 in additional equipment (replace 6 pagers \$2,500; replace 4 portable radios \$6,000; hose replacement \$5,000). Chowan County contracts with the Town of Edenton for fire protection services. The County's share of the budget is based on a five-year average of calls for service. This five-year average has County contributing to 47% of the budget. The Fire Chief will review with you the need for moving forward with the planning and financing for the purchase of a new

fire truck (\$825,000). We have discussed with the County Manager and we are working to line up the commitments because it takes up to a year for a truck to be manufactured. Funds are not budgeted in the proposed FY 2020/21 Budget but want to give you an overview of what is on the horizon.

Planning & Development – This budget is significantly lower due to the loss of the Lead for NC Fellow. We have increased hours for the new nuisance code enforcement officer. Funds are included for consultant to assist with updating the Unified Development Ordinance as the General Assembly made changes to land use regulations last session and is likely to make changes in this current short-session.

Fleet Maintenance – Budget reflects increase due to purchase of heater (\$12,000) for the shop and purchase of a much need new fuel system (\$40,000).

Streets & Storm Water: Budget reflects a \$17,000 increase (please note 2019/20 budget total on your worksheet did not capture the debt service payment for street sweeper) . Funds included to increase storm drain repairs (additional \$5,000); rental of equipment \$8,000; upgrade vehicles with snow removal equipment \$2,500; \$4,000 increase for retirement system contribution.

Sanitation: Slight increase due to increase in overall costs. Funds proposed carried over for the one-time upgrade (\$20,000) to the Transfer Station to improve efficiencies. The improvements will expand capacity at the Station. The trailer will be able to transport 3 loads of trash from Town sanitation trucks instead of 2 loads. These improvements will increase efficiency – save on fuel, labor, wear and tear on the Town’s 18-wheeler and trailer. It has been a challenge to get an engineer to design and certify the plans that need to be submitted to the State Department of Environmental Quality for the permit needed to make the improvements to the Station. But we are on track now to proceed with the project.

Mosquito Control: No change.

Landscape, Parks & Playgrounds: This proposed budget is slightly less but includes major changes to the program. We did fund the private contract to maintain the cemeteries (\$70,800). We reduced personnel costs and also saw reduction the budget due to the completion of the sidewalk on W. Water Street and S. Granville Street. We have included funds for upgrade of playground equipment at is sorely needed at Paxton Lane and Hawthorne Road neighborhood parks.

General Fund Special Programs: The debt service payments for the new police station and for the bulkhead replacement at the waterfront are funded here. Virginia Smith requested funds for the consultant to provide the mandatory OPEB Statements (Other Post-Employment Benefits) that are part of the Financial Statements the auditor prepares.

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 2020/21. We are working with our electric rates consultant on estimating impacts of the Governor’s Executive Order prohibiting utilities from disconnecting delinquent residential customers due to COVID-19. We have a conference call scheduled for Monday to review the final report. Mike Nicholls has recommended a number of investments in the distribution system that will improve reliability and help minimize outage areas. Mike will review the proposed investments with you as part of the budget review. Approximately \$200,000 in investment is included in the proposed budget. We have included funds to continue the annual tree trimming contract work which Mike strongly recommends. This investment helps us minimize storm related outages. We have included funding for the continued investment in the strategic communications marketing campaign aimed at

growing our population and attracting entrepreneurs to our community.

Water & Sewer Fund:

The Water & Sewer Fund as balanced represents a 9% increase over the FY 2019/20 Budget. Funds for upgrade at the Main Sewer Lift Station to improve reliability during flooding will help us avoid having to lease/rent by-pass pumps when hurricane is predicted. We have been searching for grant funds for the purchase and installation of a permanent bypass pump but Corey had engineered a much more cost-effective solution which he will review with you as part of Budget Review. We have included funds to rehabilitate the Hospital Pump Station, continue investment in SCADA equipment; add on tools and equipment for the two newly renovated water treatment plants (\$25,000); propose bundling equipment purchases to take advantage of low interest rates for the purchase of badly needed new backhoe (\$65,000); tractor (\$25,000); Crane Truck (\$25,000) for the Wastewater Treatment Plant and Heavy-Duty Work Truck for W/S Maintenance (\$25,000).

Powell Bill Fund:

The Powell Bill Fund budget (street, sidewalk maintenance & improvements) funds improvements engineers recommends for the E. Water Street Storm Water Pump Station and funds to implement storm water improvements identified in Phase I of the storm water inventory and assessment plan you approved several months ago that will be presented to you at the June 22 Committee Meeting.

Airport Fund

The Airport Fund is slightly lower due to projected reduction in fuel sales due to COVID-19. It is so darn nice not to have to worry about transferring funds in from the General Fund to help subsidize the Airport Fund, thanks to the long-term lease with NC DOT for their share of the Terminal Building and the 10% cash match we used to be responsible for funding. Give a pat on the back to Chairman Jim Kalbach for his lobbying DOT to help Tier One airports and not require cash match for safety related grants.

Capital Projects Ordinances: Want to remind you that there are a number of 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 Paradise Road/Peanut Drive Water Line Loop project is under design; the East Side Storm Water Feasibility Study is underway; the Eden Street Storm Water Improvement Project is under design; the improvements and renovations to the Wastewater Treatment Plant that were just approved for funding by USDA will move from preliminary engineering to final engineering design; the new ground water storage tank and rehabilitation of wells is in the final phase of engineering; rehabilitation of sewer collection lines to reduce Inflow & Infiltration is in progress. The Upgrades and Renovations to the Beaver Hill and Freemason⁴ Water Treatments are in the punch-list phase of completion. We are working with Colony Tire on their NC Department of Commerce Building Reuse Grant and Nebraska Plastics with their Building Reuse Grant and One NC Fund Grant. Engineering for the design of the Partial Parallel Runway is underway; we are awaiting approval of grant from NC Division of Aviation for the Update to the Airport Layout Plan (\$300,000). We have encountered significant delays in the awarding of a contract for the Historic Preservation Grant (\$25,000) to fund the update Historic District Design Guidelines but are hopefully we can move forward soon. The \$112,000 Grant from NC Division of Coastal Management for the new bulkhead at Queen Anne Creek on E. Water Street has been designed, quotes received and are being evaluated for recommendation for award, hopefully at your June 22nd Special Meeting.

In Closing:

It was challenging forecasting impacts of COVID-19 on the proposed budget. I wish thank the Department Heads and Supervisors for being realistic with funding expectations but also for being committed and advocating for support their programs of work need. Appreciate Finance Officer Virginia Smith guidance and support and also the support Tammy Woodley provides to me. Look forward to reviewing our revenue projections with you and hearing your feedback and advice. We will reach out to Finance Committee members as soon as possible to schedule review. The public hearing is scheduled for Tuesday, June 22, 2020 at 6:00 p.m. The proposed Budget is posted on the Town's Web site and is available for inspection at Town Hall by appointment, due to COVID-19. The Budget Ordinance will be presented for consideration for adoption at your Special Meeting of Tuesday, June 30, 2020 at 6 pm.

Sincerely,



Anne-Marie Knighton
Town Manager

cc: Department Heads