

June 2, 2019

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, 2019 and ending June 30, 2020. The budget has been prepared in accordance with the NC Local Government Fiscal Control Act. Below we have summarized each of the five funds that comprise the Town's overall budget, highlighting significant changes as compared to the current fiscal year's budget. The General Fund budget for FY 2019/20 as proposed is based on a tax rate of 40 cents, which represents a no change to the current tax rate. You will see the amount of tax dollars generated from a 40 cent tax rate is actually lower than the amount generated in FY 2018/19 with a 40 cent tax rate. This unfortunately is due to a loss in taxable personal property. One of our manufacturers, Simpson Strong Tie, closed their Edenton plant and relocated valuable manufacturing equipment to plant out of state. I was shocked when I reviewed the tax valuation report that the Chowan County Tax Supervisor prepares for the Town and County to assist with budget formulation.

The recommended budget continues to support needs for the Town of Edenton and reflects your priorities – to grow the population and invest in infrastructure that provides good quality of life for all citizens. The proposed budget funds the implementation of the Town Council's Strategic Communications Plan, with goal to grow the Town's population and attract new entrepreneurs to Edenton. The proposed budget also reflects Council's goal to invest in the Town's personnel – the people who provide services to the citizens – with the continuation of a performance-based evaluation system

The General Fund budget (\$5,418,746) reflects a decrease of \$103,129 (1.9%) from the FY 2018/19 General Fund. The Electric Fund budget (\$12,315,748) reflects a \$60,268 (1/2%) increase from the FY 2018/19. The Water & Sewer Fund budget proposes a budget decrease of \$146,835 over the FY 2018/19 Budget. The W&S Fund as proposed does not include a rate increase. There will be a rate increase in 2020/21 for debt service payment for the upgrades to Beaver Hill and Freemason Water Treatment Plants upgrades. Council could decide to raise rates to recover a portion of the rate increase needed to lessen the impact to rate payers in 2020/21. We have had this policy debate in the past – does the Town raise rates in anticipation of rate increase or wait until payable is due? 2019/20 would be the ninth year in the Town Council's ten year rate study plan –so, if you desire to raise revenue this year in anticipation of 2020/21 debt service payment to USDA we can set up a special reserve account. The Powell Bill Fund (street, sidewalk maintenance & improvements) reflects ongoing improvements to the E. Water St Storm Water Pump Station and storm drainage improvements for Pembroke Circle. Funding for the phase II of the proposed Street Overlay Surge Plan

is in process of being secured and will be added as a Capital Project Ordinance when all approvals are secured. The Airport Fund is proposed to decrease significantly due to the completion of the fuel farm paving project. Below is summary of each fund.

General Fund

While we are relieved to be able to submit a proposed budget that calls for the tax rate to remain the same, we do point out how vulnerable our fiscal stability is to market conditions. While some of our local industries are undergoing expansions, one local industry that closed – laid off employees and moved manufacturing equipment to a facility reportedly in Texas – impacts Edenton’s fiscal health. We celebrate the investments our existing industries are making however we recognize the losses too. One step forward, two steps backward, the old saying goes. Total Real Property increased by \$6.71M. A significant increase for a small tax base. But Personal Property (equipment, machinery) decreased by \$3.8M.

The net increase in value of property does allow us to present a budget that addresses the needs for replacement of routine equipment, continued implementation of the performance evaluation program for employees, and addresses to the ongoing maintenance needs of our buildings, vehicles, parks and equipment that support the General Fund services.

Finance Officer Virginia Smith and I prepared the FY 2019/20 Revenue Projections based on our assessment of revenues received year as of May 31, 2019 and a review of historical data from previous budget years. We reviewed reports prepared by the NC League of Municipalities for guidance on projecting state reimbursements. Below is brief summary of departmental budgets.

Elected Officials – This budget reflects increase (\$10,000) due to the November elections.

Administration – No major changes.

Police Department – No major changes, but does include funds for community outreach, additional safety equipment for officers.

Fire Department – No major changes, budget does reflect longevity payments to volunteers and funding for the Junior Firefighter Program and funds for community outreach.

Planning & Development – Elizabeth has included funds to continue work on the redevelopment zones and enforcement of nuisance code. We have included funding for the NC Fellow Program.

Garage – Budget reflects increase due to electrical upgrades needed for shop and power washing equipment.

Streets & Storm Water: Budget reflects a \$24,000 decrease from FY 2018/19. We are budgeting for a reduction the yearly charges for street lighting thanks to Electric Department commitment to upgrading street lights with LED fixtures. Funds included to upgrade vehicles with snow removal equipment.

Sanitation: Funds requested via a \$1 per month increase to residential dwelling units to fund ongoing newly required maintenance to the Town's Yard Waste Disposal Facility. Budget also includes recommendation for a one year only .50 cent increase to residential dwellings and corresponding one time increase for small commercial (\$2 per month) and large commercial (\$5 per month) to fund improvements to Transfer Station. This fee proposed to be only assessed in the FY 2019/20 budget year. This fee will generate \$20,000 that will pay for modifications at the Transfer Station. 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.

Mosquito Control: No change.

Parks, Cemeteries & Beautification: This budget includes funding to replace much needed new playground equipment at Paxton Lane, Albemarle Court and Morgan Park Playgrounds. \$25,000 equipment at neighborhood parks and purchase replacement picnic tables in our various parks. Budget also includes funds for the sidewalk on S. Granville St and W. Water Street which you recently approved.

Electric Fund: The budget as proposed includes a 1.5% increase to the Town's wholesale power purchases, due to recent increase from the Power Agency. On the retail side, a 1.5% retail rate increase is proposed. We have included funds for the 2nd year of the three-year project to upgrade the residential load management program and to implement a pilot program in conjunction with Public Works for automated water meter reading. We have included funds to continue the annual tree trimming contract work which we know is helping us mitigate storm related outages. We have included funding for the implementation of 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 5.5% increase over the FY 2018/19 Budget.

We have included \$110,000 to purchase and install a bypass pump at the main lift station. This will give us added redundancy and will be a lifesaver during hurricanes or floods when the system is inundated with storm water. The bypass will minimize sanitary overflows during these hazard conditions. However we are in process of applying for grants – if funding not secured by this fall, we will present request to move forward with procurement. The Capital Project Ordinances are in place for the ongoing upgrades and renovations to the Beaver Hill and Freemason Water Treatment Plants; upcoming sanitary sewer collection system rehabilitation contract and the upgrades and expansion of wastewater treatment plant.

Powell Bill Fund:

The Powell Bill Fund budget (street, sidewalk maintenance & improvements) reflects improvements we have been working towards for E. Water Street Storm Water Pump Station and improvements to storm water infrastructure on Pembroke Circle. The Phase II of the planned Street Overlay “Surge”, \$950,000 from USDA will be recommended to be added as a Capital Project Ordinance when funding and approvals secured from USDA and NC LGC.

Airport Fund

The Airport Fund reflects stability achieved thanks to the long term lease you successfully negotiated with the State. This additional revenue source will go a long way towards helping the Airport Fund be in position to take care of the important infrastructure at the Airport.

In Closing:

We look forward to reviewing the proposed budget with you and hearing your feedback and suggestions for possible changes. We will reach out to Finance Committee members as soon as possible to schedule review. The public hearing is scheduled for Tuesday, June 11, 2019 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 consideration for adoption at your June 24, 2018 Special Meeting.

Sincerely,

Anne Marie Knighton
Town Manager

cc: Department Heads