



## **BUDGET MESSAGE**

June 5, 2014

To the Mayor, Council and Citizens of the Town of Chadbourn:

**Reference:** Proposed Fiscal Year 2014 - 2015 Annual Budget

Pursuant to Section § 159-11 of the North Carolina General Statutes, I respectfully present the recommended Fiscal Year 2014 – 2015 Budget for your review and consideration. The budget reflects many long hours of work by the management team to ensure that an efficient and effective budget has been prepared. The preparation of the annual budget is the most important task the Town Council undertakes each year. It establishes the goals and objectives for the upcoming year and places priorities on our mission. The following message summarizes and highlights the significant elements of the proposed budget, particularly in those areas where there are notable changes from the Fiscal Year 2013 – 2014 budget.

The initial proposed budget for Fiscal Year 2014 – 2015 would have required a \$245,000 allocation from the General Fund Balance. As the Town Manager, I have worked with Town Council and the Management Team to reduce the amount that would be required from the General Fund Balance. Those changes were not easy decisions and required a far more fiscally conservative approach to the budget. The following will highlight the major changes to the budget.

I am recommending that the funding for Condemnation and Demolition be removed from the budget. It is my recommendation that this activity be funded on a case by case basis and a tax lien be placed upon the property. This will insure that the Town is reimbursed for all costs related to the removal of the structure.

In the proposed Police Department's budget, it had included a new Gang Officer. It is my recommendation that this officer be eliminated from the budget. This would create a savings of \$38,328. The Police Department would be allowed to retain the Gang Officer, if it can be funded with the COPS Grant or something very similar.

In the past, the Town of Chadbourn has provided a group insurance deductible of \$2,000 and the employees were insured at 100% which included doctor visits. With the changes to the laws for health insurance, the Town is no longer able to provide insurance at this level of coverage. Therefore, I have recommended that the insurance deductible be reduced to \$1,250 and every

employee be required to pay a \$50 per month payment towards their insurance coverage. Furthermore, the Town will work to develop a wellness plan to encourage healthy living habits for all Town Staff. By doing so, the Town may be able to reduce their health insurance exposure and liability.

Under the Enterprise Funds, there will be an increase in the residential and commercial garbage collection rates. The residential garbage rate will be increased from \$20.50 to \$21.00. The new minimum residential water, sewer and garbage bill for in-town customers will be \$63.75. The commercial rate will be increased by \$5.00. The increase is due to an increase in the fuel cost that Waste Management is charging the Town.

In Fiscal Year 2013 – 2014, Staff has chosen to present a fiscally conservative budget that will show significant reductions across the board. Most of the departments have either held their budgets at the previous year's level or have made significant cuts. This includes the reduction of Staff and moving two positions to contract positions. Furthermore, I have merged the Waste Water Treatment Plant into the Public Works Department. By doing so, the Town Staff has been reduced from a high of twenty-eight employees in July 2007 to eighteen (18) employees in July 2014. The reduction of employees has been achieved by retirement and the decision not to fill several vacant positions.

The proposed budget does not include merit raises or a cost-of-living adjustment (COLA) for most Town Employees. It is very important to develop and cross train Town Staff. Therefore, the budget has included funds to assist with Staff training and development in Fiscal Year 2014 – 2015. Staff has taken a much more aggressive approach to collecting on outstanding utility bills and back taxes. Staff will continue to improve the tax collection rates.

The recommended budget is \$2,188,146. This budget is presented without a proposed tax rate increase for FY 2014 - 2015. The budget will require a \$54,788 Fund Balance Allocation from the General Fund. The Enterprise Fund is projected to have a surplus of \$13,502 that will be placed in the Enterprise Fund Balance.

The Town's revenue forecasting philosophy has always been conservative and will continue for this fiscal year due to the ongoing uncertainty of current local, state and national economic trends. Economic forecasting is not an exact science and at times relies upon the best professional judgment of the forecaster. To reduce the risks of miscalculating revenues or expenditures, the Town identifies as many factors as possible that may contribute to changes in revenues and expenditures, such as population growth and decline, property values, possible economic development and the economy.

### **Fiscal Year 2014 - 2015 Revenues**

Due to the sluggish economy, Town Staff has taken a conservative approach in our revenue projections for next year and will be utilizing some of our Fund Balance to balance the budget. Sales tax revenue continues to be one of the primary sources of income within the General Fund. Over the last five years, the Town has experienced a stagnant and declining growth in total sales tax revenue. In Fiscal Year 2013 – 2014, Advance Auto Parts has built and opened a new store in Chadbourn. The Town has seen several other smaller businesses open as well. Furthermore, the North Carolina General Assembly is eliminating the Hold Harmless Funding and will place a cap on how much municipalities can charge for Privilege License Tax. This year's budget projects that sales tax revenue will remain the same or have a slight decrease from FY 2013 - 2014. Town Staff will continue to monitor this matter, but we do expect to eventually see both these revenue

streams eliminated in the future.

**Conclusion**

In previous years, Staff has aggressively sought grant funding to assist with infrastructure and public safety needs. Over the past seven years, the Town has been able to undertake almost \$15 million of infrastructure projects by leverage grants and reserve funds. In the coming year, the Chadbourn Police Department will be pursuing a COPS Grant that will be used to hire a gang officer. The Town will be pursuing funding to assist with needed infrastructure projects. However, Town Staff does not expect that the North Carolina General Assembly and Federal Government will allocate more funds to undertake infrastructure projects.

As you can see from the budget message, the Town faces many challenges in fiscal year 2014 - 2015. Only with Staff and Town Council working together, will we be able to overcome these challenges.

I would like to thank the members of the Town's Management Team for their efforts to develop this budget. I would like to thank all of the Town Employees who have continued to give their best effort over the past seven years. Respectfully, I submit the Recommended Budget for Fiscal Year 2014 - 2015 to the Town Council.

Sincerely,

Stevie L. Cox  
Town Manager