



## **BUDGET MESSAGE**

June 15, 2012

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

**Reference:** Proposed Fiscal Year 2012 - 2013 Annual Budget

Pursuant to Section § 159-11 of the North Carolina General Statutes, I respectfully present the recommended Fiscal Year 2012 – 2013 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 2011 – 2012 budget.

In Fiscal Year 2011 – 2012, the Town faced several obstacles that were created by the ongoing Chadbourn Rural Water Association lawsuit, the sluggish economy, declining population and the reduction of revenue streams from the State of North Carolina. These factors have affected the Town's revenues from Powell Bill Funding, sales taxes and utilities revenues. The Town proposes to use approximately \$56,544 from the General Fund Balance and \$65,680 from the Enterprise Fund Balance in Fiscal Year 2012 - 2013. Furthermore, the Storm Water Reserve Fund that was established by Town Council is projected to generate approximately \$21,000.

In Fiscal Year 2012 – 2013, 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. The proposed budget does not include merit raises for Town Employees for the fifth year in a row and no cost-of-living adjustment (COLA) for the fourth year in a row. There will be a slight change in employee health insurance and liability insurance that is due to changes in our insurance policies and insurance carriers. Staff has chosen to eliminate and significantly reduce the travel and training expenditures in this budget. Furthermore, the Town Council has chosen to forego their entire salary for the upcoming Fiscal Year. There will be an increase in utilities and fuel cost. The only major capital outlay expenditures in this budget will be the installation of a radio read meter system and a SCADA system for the Town's Well and Lift Stations. Staff expects that the new radio read system will generate an increase in water and sewer revenues; however, we have not included the projected additional revenues in our budget.

The recommended budget totals \$2,282,740. This budget is presented without a proposed tax rate increase for FY 2012 - 2013. The Town Council has chosen not to increase the Garbage, Water and Sewer Rates for In-Town customers. However, the Town Council has chosen to increase the Outside of Town Rate for Sewer and has chosen to let the Outside of Town Water Rate remain the same.

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, property values, development and the economy.

### **Fiscal Year 2012 -2013 Revenues**

Due to the struggling 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. This year's budget projects that sales tax revenue will remain the same or have a slight decrease from FY 2011 - 2012.

Under Revenues, Staff is projecting that the General Fund will produce \$1,255,398 for FY 2012 – 2013. The projected Utilities Revenues are going to be \$937,965. The 2011 - 2012 Utilities Revenues were only \$920,420. This year's Utilities Revenues are projected to remain constant. Staff is projecting that the Storm Water Reserve Fund will generate \$21,000 for drainage and ditch cleaning. Furthermore, Staff is projecting that the Powell Bill Fund will generate \$68,377. The total projected Revenue for FY 2012 - 2013 will be \$2,282,740. The Town Council has chosen to leave the In-Town Utility rates the same as in FY 2011 - 2012. The Town Council has chosen to increase the Outside-Town sewer rate for FY 2012 - 2013.

### **Conclusion**

In previous years, Staff has aggressively sought grant funding to assist with infrastructure and public safety needs. During the previous years, the Town has received almost \$5.5 million worth of grant funding. Most of these grants require a local match, which the Town will need to insure is available. In 2012 – 2013, Town Staff will continue to seek outside funding sources to further supplement our Capital Improvement Projects and Operating Budgets. The Capital Improvement Projects Fund will continue to generate needed revenue to address future infrastructure projects and provide a readily available fund for matching grants. Staff does not believe that there will be many grant funding opportunities, until the North Carolina General Assembly and Federal Government allocate more funds to undertake infrastructure projects.

As you can see from the budget message, the Town faces many challenges in fiscal year 2012 - 2013. Only with Staff and Town Council working together, will we be able to overcome these challenges.

Special thanks are extended to Patricia Garrell for her professional and understandable budget. In addition, I would like to thank the other 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, even though; they have not seen a merit raise or a COLA in the

previous years. Respectfully, I submit to the Town Council the Recommended Budget for Fiscal Year 2012 - 2013.

Sincerely,

Stevie L. Cox  
Town Manager