



## **BUDGET MESSAGE**

June 4, 2013

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

**Reference:** Proposed Fiscal Year 2013 - 2014 Annual Budget

Pursuant to Section § 159-11 of the North Carolina General Statutes, I respectfully present the recommended Fiscal Year 2013 – 2014 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 2012 – 2013 budget.

In Fiscal Year 2012 – 2013, the Town faced several challenges that were created by the loss of revenue from the Chadbourn Rural Water Association lawsuit settlement, slowly improving 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 \$72,512 from the General Fund Balance to balance the budget and will not need an Enterprise Fund Balance appropriation. The Water and Sewer Reserve Funds will generate approximately \$45,000. The Storm Water Reserve Fund will generate \$31,000. These funds will continue to assist the Town in addressing drainage issues and emergency infrastructure repairs. Staff believes that if we are conservative in our expenditures for Fiscal Year 2013 – 2014, we still have an opportunity to end with a balance budget.

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 nineteen (19) employees in July 2013. The reduction of employees has been achieved by retirement and the decision not to fill several vacant positions.

The proposed budget does include merit raises for the first time in six years and a cost-of-living adjustment (COLA) for the first time in five years for Town Employees. Staff has increased the travel and training expenditures in this budget. This was done to cover the cost of necessary continuing education for Staff. In August 2012, the Town installed a new radio read meter system. The new radio read system has assisted in reducing the amount of water losses and decreased labor cost. In addition, Staff has taken a much more aggressive approach to collecting outstanding utility bills and back taxes. Staff will continue to work to get the tax collection rates up.

The recommended budget totals \$2,297,148. This budget is presented without a proposed tax rate increase for FY 2013 - 2014. The Town Council has chosen to raise the water and sewer rates by \$2.00 each. The storm water reserve fee will be increased by \$1.00. The garbage rate will increase by \$0.50. This increase in the utility rate will be \$5.50 on the base rate for Inside- and Outside-of-Town customers. The Town's minimum utility bill for Inside-Town Customers will now be \$63.24. The utility rate increase will only apply to the base rate.

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 2013 - 2014 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. Furthermore, the North Carolina General Assembly is considering eliminating or reducing the Hold Harmless Funding and Privilege License Taxes that municipalities receive each year from the State. This year's budget projects that sales tax revenue will remain the same or have a slight decrease from FY 2012 - 2013. 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. 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 2013 - 2014, Town Staff will continue to seek outside funding sources to further supplement our Capital Improvement Projects and Operating Budgets. The Capital Improvement Project Funds 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 2013 - 2014. 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 efforts over the past six (6) years. Respectfully, I submit to the Town Council the Recommended Budget for Fiscal Year 2013 - 2014.

Sincerely,

Stevie L. Cox  
Town Manager