



## **BUDGET MESSAGE**

June 13, 2011

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

**Reference:** Proposed Fiscal Year 2011 - 2012 Annual Budget

Pursuant to Section § 159-11 of the North Carolina General Statutes, I respectfully present the recommended Fiscal Year 2011 – 2012 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 2010 – 2011 budget.

In Fiscal Year 2010 – 2011, the Town faced several obstacles that were created by the uncertainty of the Chadbourn Rural Water Association and a struggling economy. These factors have affected the Town's revenues from sales taxes and utilities revenues. The Town proposes to use approximately \$71,769 of Fund Balance in Fiscal Year 2011 - 2012. Furthermore, the Storm Water Reserve Fund that was established by Town Council is projected to generate approximately \$23,952.

In Fiscal Year 2011 – 2012, Staff has chosen to present a fiscally conservative budget that will mirror the previous year's budget. The majority of the departments have held their budgets at the previous year's level. The proposed budget does not include merit raises for Town Employees for the fourth year in a row and no cost-of-living adjustment (COLA) for the third year in a row. There will be a slight decrease in employee health insurance and liability insurance that is due to changes in our insurance policies and insurance carriers. There will be an increase in utilities and fuel costs. There are no projected major capital outlay expenditures in this budget.

The recommended budget totals \$2,408,905. This budget is presented without a proposed tax rate increase for FY 2011 - 2012. The Town Council has chosen not to increase the Water and Sewer Rates. Therefore, the minimum residential bill for water and sewer will remain the same except for a slight increase in garbage collection and a Storm Water Reserve Fund fee in FY 2011 – 2012.

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 2011 -2012 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 reflects a projected 10 percent decrease in sales tax revenue.

Under Revenues, Staff is projecting that the General Fund will produce \$1,421,853 for FY 2011 – 2012. The projected Utilities Revenues are going to be \$920,420. The 2010 - 2011 Utilities Revenues were only \$945,463. This year's Utilities Revenues are projected to remain constant. Staff is projecting that the Storm Water Reserve Fund will generate \$23,952 for drainage and ditch cleaning. Furthermore, Staff is projecting that the Powell Bill Fund will generate \$66,632. The total projected Revenue for FY 2011 - 2012 will be \$2,408,905. The Town Council has chosen to leave the Water and Sewer rates the same as in FY 2010 - 2011.

### **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 do require a local match, which the Town will need to insure is available. In 2011 – 2012, 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.

As you can see from the budget message, the Town faces many challenges in fiscal year 2011 - 2012. Only with Staff and the Council working together, will we be able to overcome these challenges.

Special thanks are extended to Patricia Garrell for her professional and understandable budget. Furthermore, I would like to thank the other members of the Town's Management Team for their efforts to develop this budget. I respectfully submit to the Town Council the Recommended Budget for Fiscal Year 2011-2012.

Sincerely,

Stevie L. Cox  
Town Manager