



May 22, 2023

The Honorable Mayor and Town Council
Town of Edenton
PO 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, 2023 and ending June 30, 2024. The budget has been prepared in accordance with the NC Local Government Fiscal Control Act. Below is a summary of the five funds that constitute the Town's overall budget, highlighting significant changes as compared to the current fiscal year's budget. The General Fund budget for FY 2023/24 as proposed is based on a tax rate of **43** cents, which represents no tax increase. This is based on the Chowan County Reevaluation and a revenue forecast of 96% recovery rate. There was not a significant drop in the tax evaluation. I also requested a transfer from fund balance for a couple of reasons. First, there are plans to purchase the Hicks St. properties for the new Fire Station (\$220,000) and parking for Public Works. Keep in mind that the Council appropriated \$105,000 from the general fund for this property (\$115,000 difference). Second, there are \$147,000 for three new police vehicles; \$4,000 for mobile PD laptops; an additional \$40,000 for a new recycling trailer; and \$15,000 for immediate recreation improvements. Please remember with the supply chain issues causing significant price increases in materials, fuel prices, the day to day operating expenses increased and to maintain the sustained tax rate of 43 cents **was very challenging**.

The General Fund budget \$8,418,511 reflects an increase of \$213,183 (2.598%) from the FY 2022/23 General Fund. Increased funds are for Capital Fund Balance appropriations; the creation of a stormwater fee; and additional grant opportunities. The Electric Fund Budget of \$13,956,049 as well as the Capital Project Fund budget of \$870,285 has a total budget request of \$14,826,334 that reflects a 8.82 % increase from the FY 2022/23. This increase is due to delayed electric rate increase(s) since July 1st 2019. The Water & Sewer Fund budget of \$3,837,911 reflects a 7.18%. This is largely due to added debt service payments; capital replacement for W&S for assets that can no longer be repaired; and the replacement of the W&S Vac-Truck. The Airport Fund budget of \$329,361 reflect a 18.37% increase primarily due to Aviation fuel pricing. The Powell Bill Fund budget of \$230,408 reflect a 13.14% decrease due to the reduction in NC Gas Tax and the elimination of ARPA funds.

Below is summary of each fund.

General Fund:

We continue to be conservative with our revenue projections. Sales Tax Revenue has consistently increased over the last few years and continues to rise. Tourism, as well as, online sales has contributed to that, this is expected to continue the Fiscal Year. Land Transfer Tax collections for FY 2023/24 are slightly increased due to the housing market uptick but we continue to be conservative (as we could possibly enter into another recession due to inflation); however, some buffer was expected with new housing development within Town. Looking forward to FY 2023/24, as it appears that investments in real and personal property will generate

additional tax revenue for the Town (with current interest rates) but revenues were still under projected. Current investments by the Community Block Development Grant as well as private rehabbers will only strengthen the property values and increase utility services. Considering commercial investments, downtown is still flourishing and the potential investment in the Hotel Hinton and the completion of the Conger Building - as well as other industrial improvements will add value to the Town's tax base.

Below is brief summary of departmental budgets.

Elected Officials – Budget was increased to from \$56,254 to \$86,902 (or 54.48%) primarily due it being an election year (\$15,000 cost). Some of the increase was due to an increase in the elected official monthly stipend (\$600/mth Council; \$650/mth Mayor) and for small increase in community outreach.

Administration – Increase due mainly to general insurance & bond renewal as well as increases in COL for salaries.

Police Department – Increase primarily due to an increase in Salaries (with more staff); Insurance; Retirement; Additional LPR's; Camera's; and Shot spotter sensors make up the remaining majority. Revenue for equipment purchases could be supplemented with Department of Justice Grant (totaling \$300,000).

Fire Department – Increase due mainly to land acquisition for the new fire station. Also, increased salaries and overall equipment cost contributed some to the increases.

Planning & Development – Increases were primarily due to the additional PIO position. There were also increases in the professional services budget for ACE enforcement for vacant/blight housing assistance.

Fleet Maintenance – Budget increase primarily due to fuel costs. One capital expense is added to purchase a new vehicle lift that will support the larger vehicles within the fleet which should help lower expenses of fleet & equipment repairs as these repairs will be handled in house rather than outsourced to a local garage.

Streets & Storm Water: Budget reflects the addition of a new Storm Water fee for residential, commercial, and industrial (\$3, \$8, \$12.50) to supplement the Storm Water system repairs. This fee was introduced primarily to help offset the continual decrease in the Powell Bill funding. Additional funding increases for Salaries; FICA; Retirement; & Insurance as well.

Sanitation: Budget increased primarily due to the purchase of a new sanitation truck (with loan proceeds). Additional increases were due to the implementation of the recycling program (new trailer, carts, etc..) and state mandated repairs to the transfer station.

Mosquito Control: Budget consistent with last fiscal year, only increase for supply cost of materials.

Landscape, Parks & Playgrounds: Overall consistent with last year, most expenses will be for park improvement with budget transfers in the operational year.

General Fund Special Programs: The debt service payments for the new police station, bulkhead replacement at the waterfront as well as the street resurfacing are funded here. Funds for the website design/update. Contribution to the County for the Town share of expenses for Building Inspection Services as well as Animal Control are also expensed here.

Electric Fund: The budget as proposed recommends an increase to the Town's retail electric rates. These increases are needed to forecast for the increase in purchased power pricing and that the Power Agency is projecting a budget increase for the release of the bad debt (from Sharron Harris Sale) in September or

October of 2023. There was an overall increase in electric charge of 1.62% for energy cost & 11.24% for demand cost. There was also an increase in residential basic customer charge to \$15.50 (from \$11.10) for residential, a \$30 customer charge (from \$25.50) for small commercial & public housing, a facility charge of \$500 (from \$105) for large general service & coincidental peak demand. These increases were driven by the (cumulative) rising cost for purchased power and the inflation of material/equipment cost since the last re-evaluation from July 1st, 2019. Expenditures increased due to salary & pension requirements as well as increase cost of fuel and materials. The department is requesting the purchase of new equipment as well to replace outdated equipment.

Water & Sewer Fund:

The Water & Sewer Fund balanced does not include a rate increase. The majority of utility improvements have taken place using loan or grant funding and many improvements have taken place over the last (few) year(s) to reduce the annual operation need. A loan is needed for the purchase of a new Vac-Truck for W&S crews (\$580,000). One remaining Lift Station (Morgan Park) was budgeted for specific Capital Improvements (\$138,000). Overall needs have been met with targeted capital improvements in the previous years, allowing for stability in the W&S fund. Waste Water plant renovations are expected to begin this year so most needs will be met with loan funding and will be recognized through a capital project budget ordinance.

Powell Bill Fund:

The Powell Bill Fund budget is balanced including a decrease in revenue mainly due to the loss of ARPA funds. While the Town has made significant investments in repairing and paving streets there is more work to be done especially with sidewalk and curb/gutter additions. The creation of the Town's own Stormwater fee has helped realign the Powell Bill funding to focus on streets and sidewalks. With declining revenues from Powell Bill funds, the Town should continue advocating to the General Assembly and the NC League of Municipalities for reallocation of funding to help rural small towns maintain town streets.

Airport Fund

The Airport Fund is relatively the same with the exception of fuel price increases for revenue and purchase(s).

Capital Projects Ordinances: As noted last year, there are a few projects in the Capital Projects Ordinances that are on-going and funded through various grants and loans that are part of the overall Budget but not included in the General Fund or the Enterprise Funds (Electric, Water & Sewer, Airport and Powell Bill). The Community Development Block Grant has appropriated \$750,000 for housing improvements. While considering these potential new homeowners and tourists, the Council plan to replace vehicles in the current fleet that are well over 15 years old and past usable condition are still underway. There are also multiple Water & Sewer capital projects that will near completion this year & new ones that will begin.

In Closing:

Since Covid, the economy has taken on multiple challenges including inflation and supply chain instability but the proposed budget is our best estimate of revenues and expenses needed to provide vital services to citizens. We look forward to reviewing with the Finance Committee and hearing from citizens at the Public Hearing scheduled for Tuesday, June 13, 2023 at 6:00 p.m. The proposed Budget will be posted on the Town's Web site and is available for inspection at Town Hall starting May 26th 2023. The Budget Ordinance will be presented for consideration for adoption at your Special Meeting of Monday, June 26th, 2023 at 6 pm.

Sincerely,

Corey Gooden
Town Manager

cc: Department Heads