

May 18, 2021

Honorable Mayor and Members of Council
Town of Stallings, North Carolina:

Pursuant to the Local Government Budget and Fiscal Control Act and N.C. General Statute 159-11, the Annual Budget for Fiscal Year 21-22 is submitted for your consideration:

General Fund	\$7,780,700
Appropriated General Fund Balance	\$ 414,942
Appropriated Powell Bill Fund Balance	\$ 125,000
Appropriated Parks and Recreation Fund Balance	\$ 426,858
Appropriated Drug Forfeiture Fund Balance	\$ 25,000
Storm Water Fund	<u>\$ 490,100</u>
Total	\$9,262,600

This budget proposal represents the commitment of the Town Council to its unanimously approved strategic priorities and corresponding strategies as follows:

Town of Stallings – Priorities FY 2021-22

- 1.) Create a Stallings Downtown (6 priority votes, 5 second priority votes)
 - a. Strategy – 2 prong approach. The first prong is to proactively invest to create a catalyst to spur downtown development aligned with vision and ultimately lead to market-driven downtown development. The second prong is to prevent development that does not align with downtown vision.
 - b. Benchmarks for Success
 - i. Have a farmers market started by 6/30/21.
 - ii. Update and present a downtown action plan based on expert panelist feedback (Annual Retreat) by 3/22/21.
- 2.) Review and Amend Land Use Plans to Better Align with Council’s Vision (5 priority votes, 1 second priority vote)
 - a. Strategy – Continue alignment with a downtown overlay district and open space enhancements.
 - b. Benchmarks for Success Over Next 12 months
 - i. Present Open Space Ordinances Changes to Council by the end of April 2021.
 - ii. Consider gaining site control over key [downtown] properties by acquisition, option, or other legal means.

3.) Economic Development

- a. Strategy – Approve an economic development strategic plan and begin implementation and highlight existing businesses.
- b. Develop an Economic Development Strategic Plan (4 priority votes, 3 second priority votes)
 - i. Benchmarks for Success – Approval of an economic development strategic plan by 4/30/21 (Note – Approved 3/8/21). Implementation TBD due to funding requirements.
 - ii. Action Item – Staff will bring Council implementation cost during budget workshops.
- c. Communications – Highlight Businesses (1 priority, 3 second priority votes)
 - i. Benchmark of Success – Highlight a business in quarterly newsletter (Mayor will take first 6 months, then ED committee will choose business to highlight quarterly). Until pandemic ends, do this quarterly via social media.

4.) Transportation (2 priority votes, 4 second priority votes)

- a. Strategy – Increase Likelihood of CRTPO Funds Through TCC Participation and an Updated Transportation Master Plan. Support the light rail coming to Stallings.
- b. Benchmarks for Success
 - i. Continue 100% TCC participation.
 - ii. Present draft updated transportation master plan to Council within 18 months (12 months stretch goal) of first resumed TAC meeting.
 - iii. Approve Light Rail resolution by the end of April 2021.

5.) Communications – Push News Out on Social Media (1 priority vote, 4 second priority votes)

- a. Approved Strategy – Maintain Professional Communications Using Existing Resources and Provide Council Cost Estimates to Enhance Communications
- b. Benchmarks for Success – TBD due to funding needs.
- c. Action Item – Provide cost estimate during budget workshops for adding communications/marketing position.

6.) Enhance Blair Mill Park (2 priority votes, 2 second priority votes)

- a. Strategy – Continue resource investments into Blair Mill Park (“BMP”) to decrease service level gap between BMP and Stallings Municipal Park.
- b. Benchmarks for Success –
 - i. Complete construction of the Vickery portion of the Blair Mill greenway by 6/30/22.
 - ii. Other BMP enhancements TBD based on funding.
- c. Action Item – Provide Council with cost estimates during budget workshops for the following BMP enhancements:
 - i. Enhancing grass turf quality and landscaping.
 - ii. Signage.
 - iii. Adding a Food Truck Pad.

These goals provide the foundation upon which the budget is built. Over the course of four budget workshop sessions and many hours of staff research and development, this budget was explained and discussed in detail. Ultimately, the Council provided additional direction on several key budgetary decisions that form the basis of this proposed budget.

Property Reevaluation & Tax Rate

The Union County property reevaluation found that Stallings' property values increased town-wide by approximately 31.2%. (It is important to note that this percentage is for the entire Town, and individual property value changes will vary.) For FY 20-21, the ad valorem tax rate is \$0.215 per \$100 of valuation. For FY 21-22, the calculated revenue neutral rate adjusted for growth is \$0.166 per \$100 of valuation.

At the 5/10/21 Budget Meeting, the Town Council directed the Town Manager to develop a FY 21-22 proposed budget with an ad valorem tax rate of \$0.196 per \$100 of valuation. This new proposed tax rate is \$0.019 lower than the FY 21-22 rate but \$0.03 higher than the FY 21-22 revenue neutral rate. This new proposed tax rate of \$0.196 generates an estimated \$4,946,500 in tax revenue in total and about \$752,215 above the revenue neutral rate.

Using this Council directive, this budget was created using a three-fold guiding philosophy:

- 1.) Focus funding on Council priorities;
- 2.) Ensure Town services are sustainable in the long-term and delivered efficiently/effectively; and
- 3.) Meet the Town's obligations.

This budget proposal is also influenced by external factors including the condition of the national, state, and local economies, the COVID-19 pandemic, the emergency and pre-emergent needs identified in our community by the elected body, staff, advisory boards, and the goals noted above. Armed with the knowledge that this document represents a significant amount of careful consideration and study, this budget should allow the Town to meet its obligations, progress towards its goals, and remain fiscally strong.

Once a final budget is approved, the Town will use its strategic Balanced Scorecard to monitor and track progress towards meeting the Council's priorities (along with other measures ultimately aligned under the Town's mission).

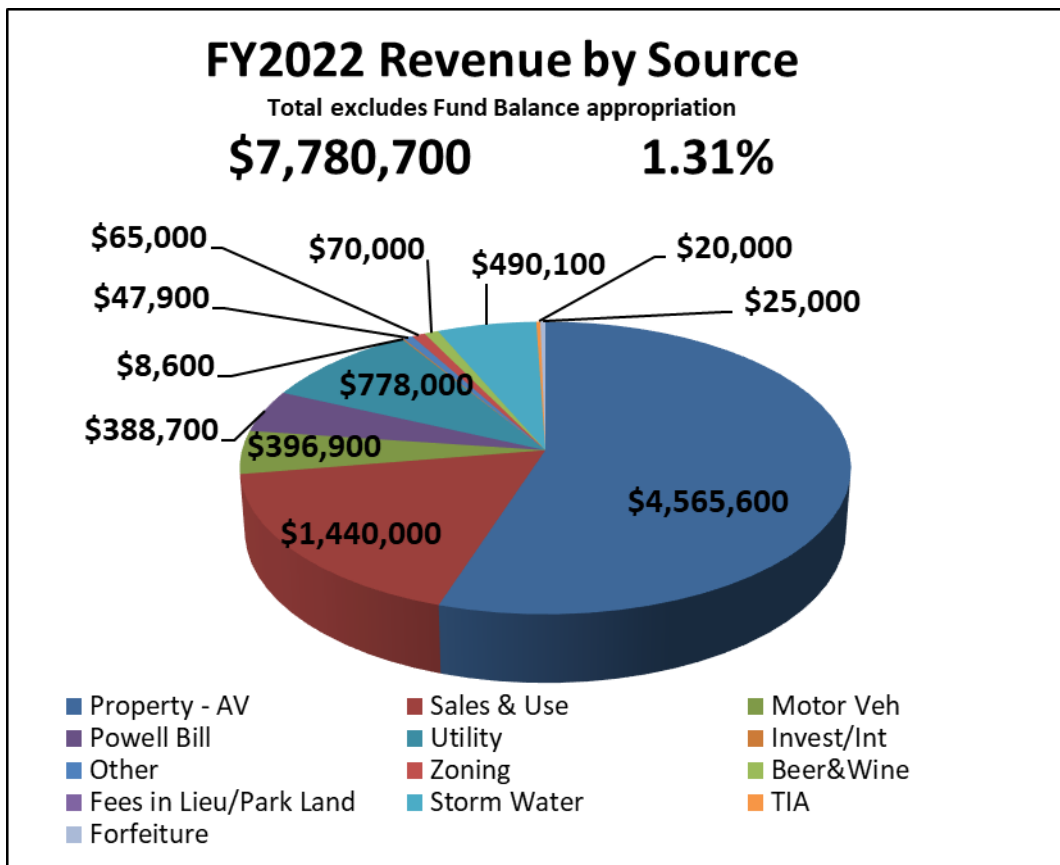
Please allow me to express gratitude to the Town Council, staff, and advisory boards for their hard work and input on this budget. While the creation of this budget proposal was a team-effort, I would like to especially recognize our Finance Officer Marsha Gross for working many hours to ensure our budget process is smooth.

GENERAL FUND

REVENUES

To maintain a prudent fiscal posture and especially considering the ongoing COVID-19 pandemic, this budget proposal takes a conservative approach to all revenue estimates. These revenue estimates are based upon our examination of guidance from the State, Union County, North Carolina League of Municipalities, and analysis of local and broader trends. While we are not able to predict the future perfectly, using a conservative approach to revenue estimates and conducting thorough analysis decreases the likelihood of a major revenue shortfall during a fiscal year.

In comparison to FY 20-21, budgeted revenues in FY 21-22 decrease by \$2,551,636 (22.5%) from \$11,324,136 to \$8,772,500. If fund balance appropriations and one-time transportation revenues¹ are removed from total budgeted revenues, the effect is an increase of \$875,300 (12.7%) from \$6,905,400 to \$7,780,700. The following chart shows revenues by source:



¹ This includes funds related to the Chestnut-Matthews Weddington Roundabout project which are offset proportionally by expenditures related to the project.

Tax Rate:

The Town's largest revenue source is ad valorem property tax. As discussed above, the Union County property reevaluation found that Stallings property values increased town-wide by approximately 31.2%. Per Council direction, this budget proposal reduces the current tax rate of \$0.215 to \$0.196 per \$100 of valuation to cover the operational budget and capital projects as decided by Council. This new proposed tax rate is \$0.019 lower than the FY 21-22 rate but \$0.03 higher than the FY 21-22 revenue neutral rate of \$0.166. The proposed tax rate will generate an estimated \$4,946,500 in ad valorem real and personal property tax revenue adjusted for a tax collection rate of 99.69%. Overall, this is a projected increase of \$801,219 (19.3%) from the FY 20-21 projection.

During the creation of the FY 20-21 Budget, it was unclear what affect the COVID-19 pandemic might have on the Town's tax collection rate because Stallings has no local historical precedent. However, the Town cautiously examined historical collection rates with a focus on the Great Recession due to foreclosure rates being high. Below is a summary:

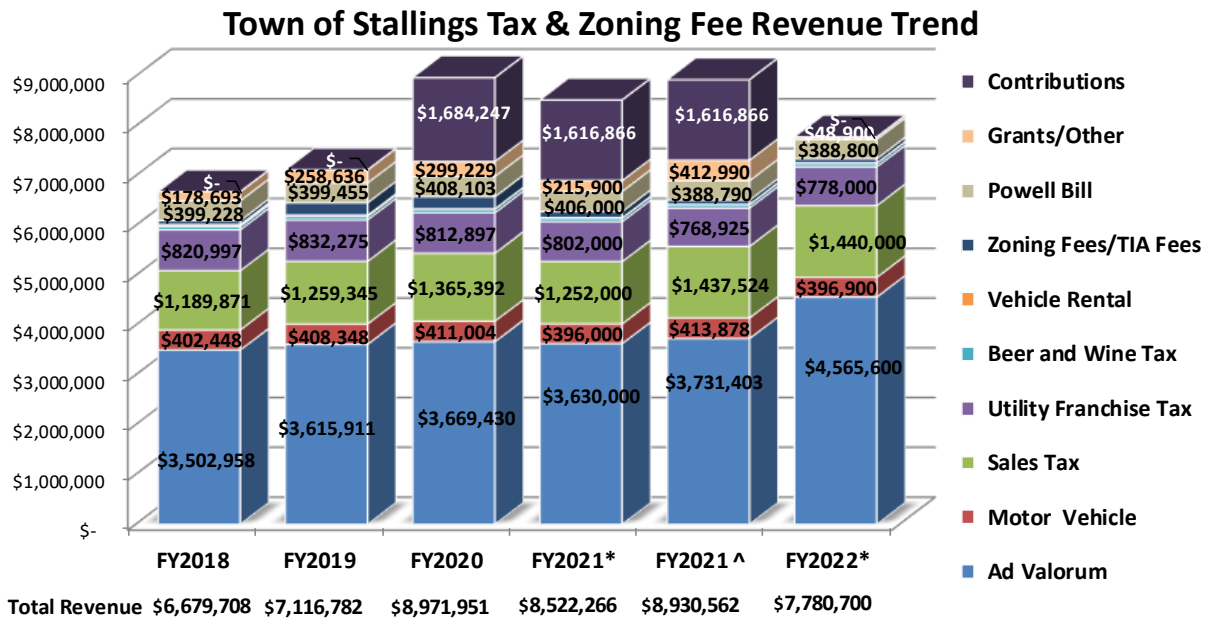
<u>Fiscal Year End</u>	<u>% Collected Within the Fiscal year of the Levy</u>	<u>% Collected Subsequently in Total</u>
2006	98.72%	99.59%
2007	98.37%	99.95%
2008	98.38%	99.96%
2009	98.03%	99.35%
2010	99.03%	99.98%
2011	98.76%	99.97%
2012	98.73%	99.99%
2013	99.09%	99.98%
2014	99.06%	99.93%
2015	99.35%	99.92%
2016	99.59%	99.99%
2017	99.67%	99.98%
2018	99.84%	99.97%
2019	99.81%	99.95%
2020	99.69%	99.69%

Prior to the Great Recession, the 2006 tax collection rate was 98.72%. During the Great Recession, national foreclosure rates were the highest in 2010. That same year, the Town reported a 99.03% collection rate. The lowest tax collection rate during the Great Recession was 98.03% in 2009 which is 0.69% lower than the pre-recession level in 2006. Notably, the Town historically has

eventually collected well over 99% of its taxes, even if the tax collection rate drops in a given fiscal year. This is likely due to effective collection tools/methods along with the long-term strength of the Charlotte area economy. If the 2019 collection rate of 99.81% is reduced by 0.69% (the difference between 2006 and the low point of the Great Recession era) you arrive at a collection rate of 99.12%. Due to the uncertainty surrounding the pandemic, the FY 20-21 budget took a fiscally conservative posture and reduced the collection rate even further to 98.5%. With two months remaining in FY 20-21, the estimated current collection rate is currently 99.76%. For FY2022, this budget proposal uses the 2020 collection rate of 99.69% for the proposed budgeted revenues.

Other Revenue:

The remainder of the General Fund is funded largely by sales and use tax, franchise and utility tax, Powell Bill funding for road and sidewalk maintenance, motor vehicle taxes, fund balance appropriations, and miscellaneous revenues. Below is a chart showing revenue trend data:



Note: FY2021* - Budgeted Revenues
 FY2020^ - Projected actual revenues
 FY2022* - Proposed budgeted revenues.

The Town’s second largest reoccurring revenue source is sales and use tax. Faced with the uncertainty of the COVID-19 pandemic, the FY 20-21 budget was very conservative with sales tax projections. Fortunately, FY 20-21 projected actual revenues are about 15% higher than budgeted revenues. However, this FY 21-22 proposal maintains a conservative posture and projects sales tax revenues to be about the same as FY 20-21 actual projections.

One reason to be conservative in our sales tax projections is that Union County’s recent property reevaluation could impact the Town’s sales tax distribution. Union County distributes sales tax

revenues based on tax levies and not population. This means the higher the comparative tax levy proportion the higher the sales tax distribution a municipality will receive. As such, **if other Union County local governments do not reduce their tax rate as much as the Town of Stallings is proposing and generate a proportionally higher tax levy than the current status quo, it is possible that Town sales tax revenues decrease significantly in the future.** Alternatively, it is also possible that Stallings receives a higher share. Until all Union County local governments approve a tax rate for FY 21-22, it is unknown how this might affect the sales tax distributions. The Town will closely monitor this situation and may need to make adjustments in the future depending on what occurs.

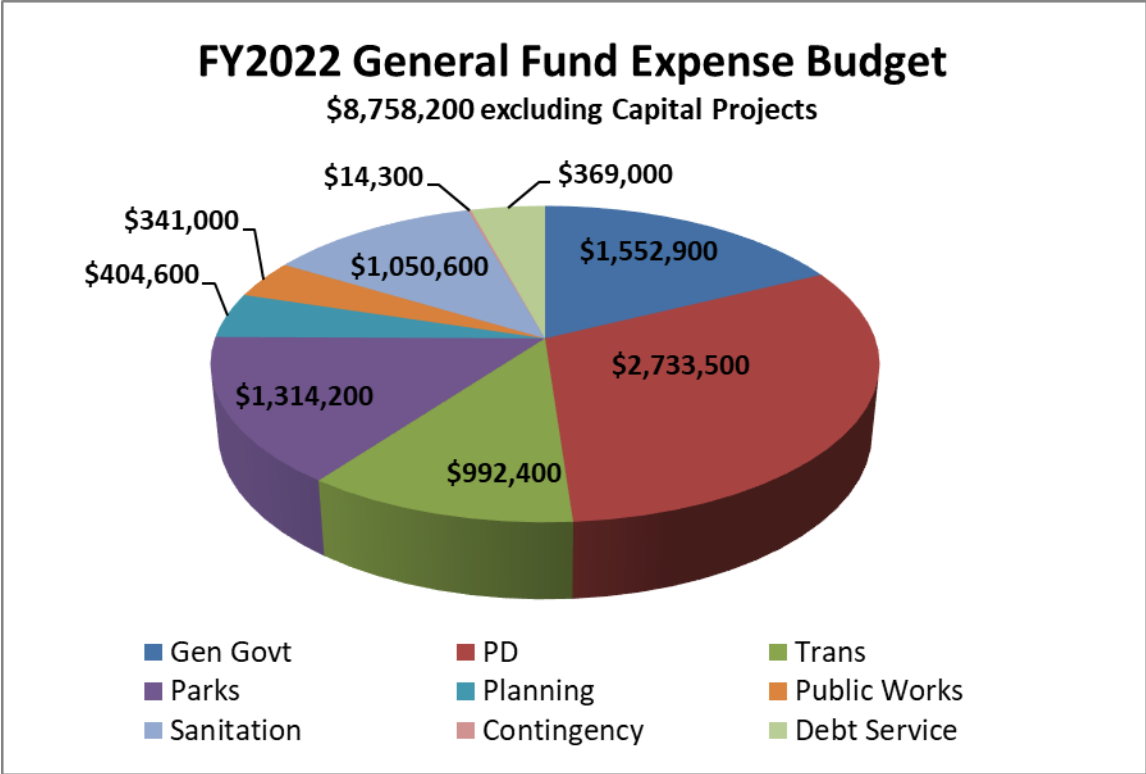
During FYE 2020, the Town contracted with NCDOT and a developer to expedite the construction of the Chestnut-Weddington Road Roundabout. The initial revenue and expense related to the transaction took place in FYE 2020 when the road was funded through the developer and in FYE 2021 when NCDOT reimbursed the funds spent by the developer. The Town contributed \$350,000 towards the construction the roundabout in FYE 2020 most of which will not be reimbursed.²

EXPENSES

In comparison to FY 20-21 budgeted expenditures, expenditures in FY 21-22 decrease by approximately \$2,551,636 (22.5%) from \$11,324,136 to \$8,772,500. However, if transfers to capital projects and one-time transportation improvements³ are removed, expenditures increase by \$757,030 (9.5%) from \$8,001,170 to \$8,758,200.

² Depending on final NCDOT project costs, it is possible the Town could get back a portion of this local contribution.

³ This includes funds related to the Chestnut/Matthews-Weddington Roundabout project.



Budget Highlights for FY 2021-2022:

While not attempting to provide an exhaustive review, here are some expenditure highlights:

Personnel:

- Overall, budgeted personnel costs including fringe benefits increase by \$136,602.
- Health insurance costs are estimated to increase by \$13,000 due to plan changes aimed at decreasing individual employee cost for optional dependent coverage. As the Town implemented exit and stay employee interviews over the past year, we heard reoccurring employee concerns regarding high dependent coverage costs. Additionally, research by human resources revealed that some surrounding jurisdictions have lower dependent coverage costs for employees. By decreasing this cost for employees, the Town increases the likelihood of attracting/retaining competent staff who are essential to providing quality, reliable, and sustainable services to the community. Notably, the Town has a wellness program that helps keep costs down and if the Town had not made this change, there would have been no increase to health insurance premiums.
- Workers Compensation renewal premiums increase \$6,093 or 11.9% from the prior year with an increase in our experience modifier from 0.83 to 1.14 due to several claims. Overall, the cost was expected to increase due to

wage base change and the impact this year is minimal. The Town will continue to aggressively maintain and enhance our safety program.

- State mandated retirement rates increased from 10.27% to 11.48% for the Local General Class and from 10.84% to 12.04% in the Local Law Enforcement Officer Class.
- In accordance with the Town's Pay Policy, personnel salaries will increase with a cost-of-living adjustment of 1.4%, a 2% pay step increase, and a 1% bonus.
- Two new full-time positions (Public Works and Parks and Recreation) are added while funding is included to convert a parks maintenance position from part-time to full-time.

General Government:

- Overall, the general government budget decreases by \$168,600 (9.8%).
- The primary reason for this decrease is the completion in FY 20-21 of the new town hall and public works facilities as well as the second-floor renovation of old town hall.
- Economic development is a top Council priority and the Town developed and approved an economic development strategic plan in FY 20-21. This proposal includes funding (\$20,000) to partner with the County's economic development group to start plan implementation through a contracted part-time position at about 10 hours per week.
- \$125,000 is included for potential litigation expenses. A lawsuit related to Stinson Farms development has not yet been filed. However, the Town has been issued a litigation preservation notice which is often a precursor to a lawsuit being filed. The total litigation cost is estimated at \$250,000 but it could be more depending on multiple factors. Also, on May 14, 2021, the Town was given notice that a lawsuit has been filed against the Town along with several other parties by the Archie and Alice Wright Family Trust seemingly related to an ongoing stormwater issue currently before the Town's Board of Adjustment. A total litigation cost estimate has not yet been determined given the Town was made aware several days ago that this lawsuit has been filed.
- Other notable funding items include funds for enhancing access control/security and code compliance on the old Town Hall entrance doors (\$28,900), continuing with performance evaluation system training that was delayed due to the pandemic, and outsourcing payroll to help make this administration process more sustainable long-term, decrease risk exposure, and allow more time for our human resources staff to focus on increased HR needs such as our performance evaluation system.

- Creating a downtown is a top Council priority. Over the course of the past year, much research and discussion, public feedback, and dialogue with our downtown expert panel, here is the resulting Downtown Action Plan:

Downtown Action Plan

- ❖ Build Resilient Community Support for Downtown Efforts Over Election Cycles
 - Action Items:
 - Downtown Champions Committee - Council will recruit business leaders, hospital, and other respected community leaders to form a downtown support committee.
 - Council directs and supports staff educating candidates for Town Council seats on downtown efforts.

- ❖ Proactively Invest to Spur Development Aligned with Downtown Vision.
 - Expert panelists indicated concerns with draft action plan as to 1.) whether the current downtown vision aligns with market reality (if not, what changes need to be made?); and 2.) whether implementation is “underfunded” in resource commitment, expertise capacity for various development efforts including public-private partnership creation, and site control.
 - Action Item: Engage and consider partnering with Development Finance Institute (UNC School of Government) for expert guidance and support on proactively spurring positive downtown development.
 - Build Out a Streetscape in Front of New Town Hall & Old Town Hall and properties until Community Park Drive. On park side of road, build out streetscape in front of the park.
 - Action Items: Staff will confirm with NCDOT whether on-street parking will be allowed here per the approved streetscape concept and investigate any other preliminary items (like estimates for burying electrical lines, eligibility for using existing grant funds, etc.). Staff will follow-up with an estimated cost of creating construction documents for Council’s consideration. (Note: Council expanded scope of work on 3/22/21 to encompass larger area. Council would like to consider using Powell Bill funds for streetscape).
 - Promote the Downtown Area & Continue to Make It a Destination Point.
 - Action Items:
 - Begin promoting area as downtown regarding Parks & Recreation activities:
 - Events, Programs – marketing as in Downtown
 - Farmers Market - make “Downtown” part of the name
 - Continue to make Stallings Park a destination point through events (once pandemic ends).

- ❖ Identify Core Area to Efficiently Focus Resources.
 - Action Item: Approve the Core Downtown micro-focus area.
- ❖ Prevent Development That Does Not Align with Vision
 - Per Council direction, reviewed with planning and legal. Their joint recommendation is as follows:
 - 1.) The market will drive what comes in, and until the market changes the Town's vision will not happen and we will continue to get development/uses that do not align with our vision. Zoning is a tool that can help prevent uses that do not align with vision and the Town already has Town center zoning in place. However, as long as the market is different from the vision, there is always a risk that development will come in that aligns with the market and is allowed but be contrary to the Town's vision. Zoning is a tool but not a failsafe.
 - 2.) The most effective way to prevent development that does not align with the downtown vision, is to gain site control over key properties.
 - Action Item: Consider gaining site control over key properties by acquisition, option, or other legal means (DFI partnership see previous action item above).

- Creating a downtown is possible but it will likely require the Town, for many years into the future, to consistently focus on the downtown as a priority and invest heavily (likely millions) in implementation. In accordance with the Downtown Action Plan here are some funding notes:
 - \$75,000 is included to give the Council the option to have a Downtown Feasibility Assessment (phase 1) completed by Development Finance Initiative (DFI). DFI was created by the UNC School of Government to provide specialty development and financial expertise to local governments on economic development projects. Notably, the Council has not yet decided whether it will award this contract, but this funding is included to provide the Council maximum flexibility.
 - \$98,000 is included for downtown streetscape design for the area in front of the Town Halls. This funding is included as a placeholder but notably this price could change for three primary reasons. First, NCDOT has not yet given the Town permission to enact its streetscape concept (Stallings Road is state maintained). Once

NCDOT provides direction on this, the Town may need to redesign its concept and then we can develop a better cost estimate. Second, the Council is interested in expanding the scope of the initial streetscape down to Community Park Drive and on the other side of Stallings Road, and, also burying utilities in this area. This would obviously increase both design and construction costs significantly. Duke Energy gave a preliminary cost estimate of approximately \$5.5 million if it did the work itself but it is estimated to cost approximately \$2 million if the Town hired an independent contractor to do the work not including property acquisition costs. Third, this budget number is not exact as it takes the 2018 estimate and increases it by 30%. Depending on the direction the Council chooses here, the Town may need to have some further preliminary engineering/design work done but the Town does have some leftover funds from a downtown economic development grant it could potentially use for that purpose.

- DFI's phase II contract cost and the recommended site control/implementation are contingent on the phase I contract's findings, so they are not included.

Public Safety:

- Overall, the public safety budget increases by \$47,730 (1.8%).
- The majority of this increase comes from personnel and related costs. In addition to the normal pay policy increases, this proposal budgets for five former employees to receive a separation allowance as mandated by law.
- In accordance with the Town's capital improvement plan (CMIP), this budget proposal includes funds (\$123,200) for the scheduled replacement of three patrol vehicles with mileage either already over 100,000 or almost over 100,000. Due to extra demand on patrol vehicles, it is cost-efficient for the Town to regularly replace vehicles at this mileage level.
- This proposal continues with funding to support the Stallings Police Department's goal of achieving CALEA accreditation. CALEA accreditation is a process to assure that the police department is functioning at the highest level of police standards.
- Funds are included to continue to maintain/replace body and in-car cameras using and provide software in support of policy improvement and training.

Transportation: (Streets & Highways; Powell Bill)

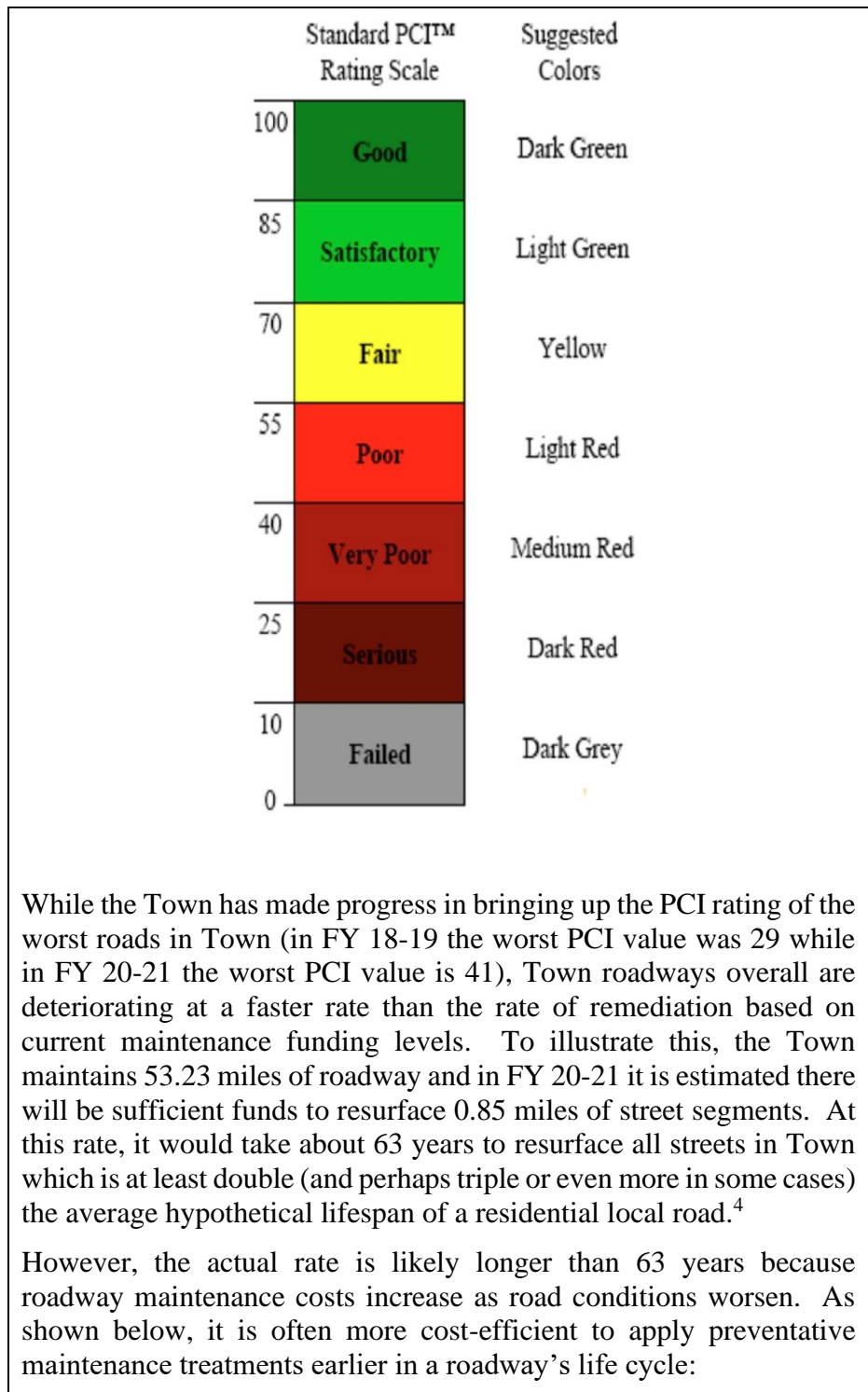
- The total transportation budget decreases by \$1,440,666 (59.2%).
- The primary reason for this decrease is because the Town, as part of its agreements to expedite the construction of the Chestnut/Matthews-

Weddington roundabout, repaid funds received from NCDOT back to the developer in FY 20-21.

- NCDOT has indicated that it will install enhanced landscaping and irrigation around the Monroe Bypass intersections with Stallings Road and Marie Garris Road if the Town will agree to maintain what is installed. This budget proposal adds another public works position to help with this maintenance and includes \$15,000 towards the ongoing maintenance and irrigation of this landscaping.
- \$25,000 is included to help update the Town’s Transportation Master Plan. The Town will strive to do this work largely in-house. However, depending on the scope of the work the Council wants done as part of this process, an outside consultant may need to be brought in. If this occurs, these funds could be used as the local match to pursue an 80% CRTPO planning grant to bring in an outside consultant.
- The Town is proactively improving the ways we maintain our local streets and sidewalks:
 - The Town has begun to invest more in sidewalk maintenance. In January 2021, the Town adopted a new sidewalk maintenance policy to provide a more ordered and systematic process for addressing sidewalk needs. This budget includes \$53,700 for sidewalk repairs.

Street Maintenance

The Town strives to constantly improve its services and street maintenance has been a key discussion topic during budget meetings. In the past, the Town has used State allocated Powell Bill funds for resurfacing and has not typically contributed any further local funds. This funding has historically been applied based on Town engineers’ quantitative assessment of Town streets to determine the greatest resurfacing needs using an engineering methodology originally developed by the Army Corp of Engineers (Pavement Condition Index or “PCI”). Using this evaluation system, PCI values have been assigned to each street segment in the Town and the streets were ranked from worst condition (lowest PCI value) to best condition (highest PCI value). Funding was then applied to streets deemed to be in the worst condition.



⁴ Please note that estimated life of roadways can vary greatly based on a variety of factors (traffic volume, asphalt thickness, subsurface quality, preventative maintenance applied, etc.),

ROADWAY PREVENTIVE AND REACTIVE MAINTENANCE

Pavement conditions worsen over time as loading from vehicle traffic, environmental conditions, and drainage factors undermine the integrity of a pavement's structure and underlying support layers. Maintenance and rehabilitation activities can slow or reverse this deterioration. A pavement management program can help to systematically apply preventive maintenance treatments to the pavement before significant distress has been observed, thereby preserving the condition rather than fixing it later when repairs become more expensive. **Figure 2** shows the financial impact of performing maintenance at different times in the pavement life cycle.

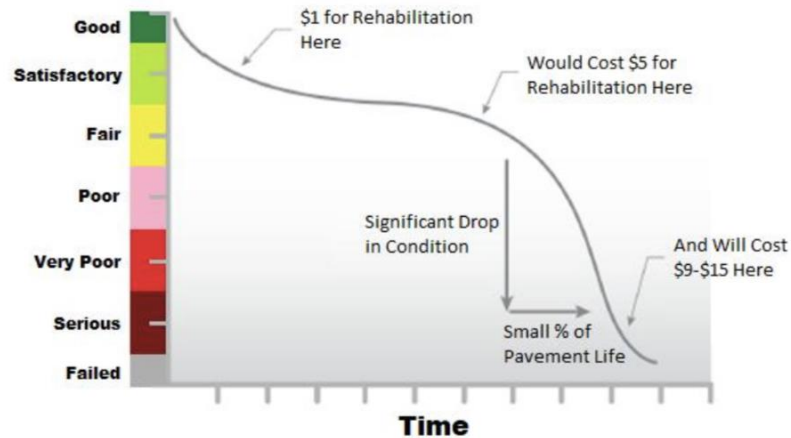


Figure 2. Preventive and Reactive Maintenance

Maintaining pavements in good condition prolongs financial resources because less costly treatment applications like rejuvenation, surface treatments, and crack sealing can help maintain present conditions. The consequence of applying preventive maintenance treatments late is twofold in that pavement conditions are then likely to deteriorate more rapidly, and treatment options become more expensive.

As shown above, it is more cost efficient to start addressing roadways before they start getting into the “Fair” rating range on the PCI scale. To help address this reality, this budget proposal adds an additional \$275,000 in street maintenance funds on top of the FYE 22 \$335,000 in Powell Bill revenue that would have otherwise been allocated for a total of \$610,000. As discussed during budget workshops, the Town will be reevaluating how to better prioritize roads, including those with higher traffic volumes, and determine how the Town might take advantage of more cost-efficient preventative maintenance efforts (such as surface treatments and crack sealants) to help better maintain present conditions and extend the life of the existing roadway before maintenance is required. Our Town engineers are conducting a comprehensive assessment of our roadways to determine how the Town can maximize the dollars to extend the functional life of Town roadways. Once complete, this assessment will give the Town a better understanding of how the Town can maximize our street maintenance funds and improve the effectiveness of our asphalt management program.

Of the additional \$275,000 being dedicated to street maintenance, \$125,000 is proposed to come from fund balance reserves restricted for Powell Bill purposes. Once any potential litigation expenses are complete (estimated at \$125,000 for FY 21-22 and \$250,000 in total), the operational funds going towards litigation can then hopefully be fully dedicated to street maintenance so the Town could strive to at least maintain the additional annual street maintenance funding level of \$275,000 per year. The reason for taking potential litigation expenses out of annual operational funds while taking street maintenance costs out of restricted funds is that that the Town can maintain maximum flexibility by spending restricted funds prior to unrestricted funds.

- The Town anticipates completing construction documents in the near future for a gateway signage design selected by Council. The anticipated sign location would be in the planned Stallings Road roundabout by the new hospital site. During budget workshops, the Council expressed concern regarding the estimated sign construction cost (\$200,000). As a result, funding is not included in this proposal. However, given the Town has already invested in construction documents, it is suggested that the Town still bid out this project. This would allow the Council to learn what the actual construction costs would be and give the Council the flexibility to use reserve funds if it wanted to move forward with construction.

Environmental Protection: (Sanitation)

- The total Environmental Protection budget increases by \$30,600 (3.0%).
- The Town contracts with a solid waste provider for collection of solid waste, recycling, and yard debris. Additionally, the Town has historically done a one-time annual bulk item collection through our solid waste provider.
- This increase accounts for a CPI rate increase required by our solid waste contract as well as a projected rise in the number of homes serviced.

Economic & Physical Development: (Planning & Zoning)

- The total Economic & Physical Development budget increases by \$15,800 (4.1%).
- This increase is largely due to pay increases in accordance with the Town's pay policies and the difference in bringing in a more skilled staff member.

Public Works:

- The total Public Works budget increases by \$37,200 (12.2%).
- The primary reason for the increase is adding additional staff and equipment to sustain and enhance certain service levels.
- Funds are included to add an additional zero turn mower, which will supplement the mowing capabilities of both Public Works and Parks and Recreation.
- Funds are included to add an additional staff member (\$53,200) and add additional equipment (\$20,000) to sustain current and enhance services in a cost-efficient manner including:
 - Maintaining enhanced landscaping around the Monroe Bypass area if the Council chooses to accept this responsibility;
 - Bringing basic routine vehicle maintenance in-house;
 - To enhance roadway appearances beyond NCDOT's limited mowing, public works would take over the mowing of several primary NCDOT roads: Old Monroe Road (just side with the sidewalk), Stallings Road (past the elementary school), Stevens Mill to Oakspring Road, Lawyers Road to Hawthorne Drive. Specifically, public works would mow these right-of-ways but NCDOT would continue to be responsible for removing litter and storm debris removal; and
 - To help supplement existing work.

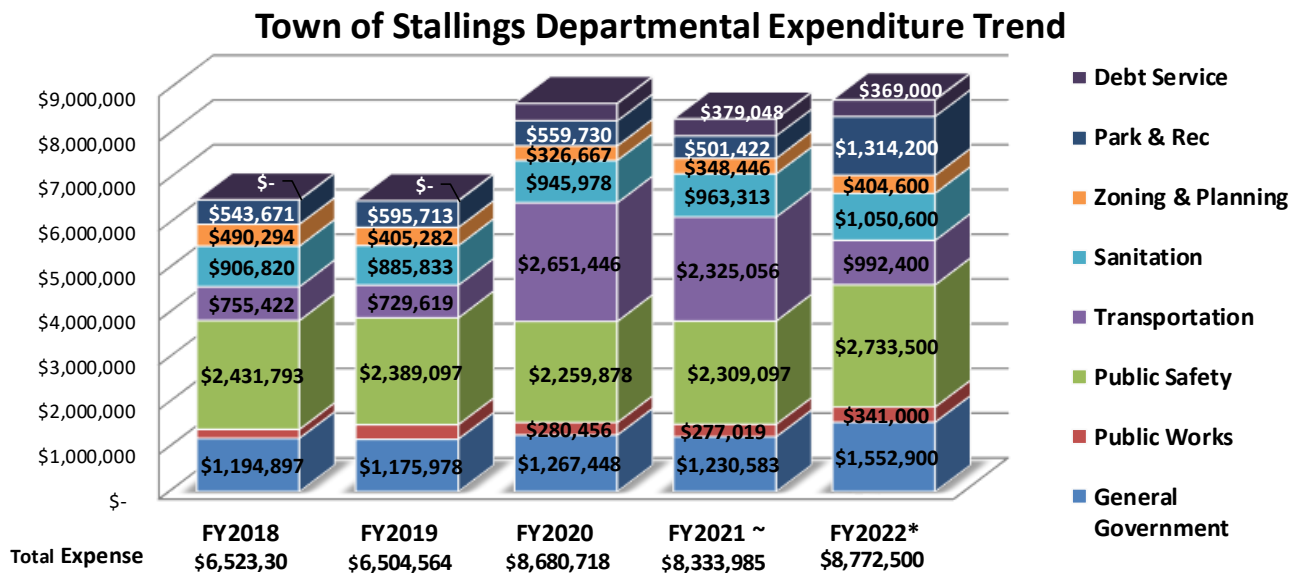
Cultural and Recreation:

- The total Cultural and Recreation budget increases by \$629,000 (91.8%).
- The primary reason for this increase is \$550,000 is included for construction of the Vickery portion of the greenway, a Council priority. This is funded using fund balance reserves with the majority coming from fund balance restricted only for certain park uses ("fee in lieu of parkland" funds).
- Enhancing Blair Mill Park is a Council priority. Funding is included to improve the quality of the landscaping at Blair Mill Park (\$25,000) and to add an additional sign.
- Funding (\$28,000) is included for a phased enhancement of Privette Park.
- The Town population continues to grow, park services are becoming increasingly popular, and the Town has/will add new services such as the greenway and a new farmers market. To increase the sustainability of park services, funding is included to convert a maintenance position from part-time to full-time (\$26,000) and also to add a park coordinator/customer service representative position (\$47,000).

Debt Service:

- In February 2019, a loan in the amount of \$2,918,000 related to the construction of the New Town Hall and Public Works Building was secured at an interest rate of 3.45% and a term of 10 years. Principal payments of \$291,800 are due annually and began in March 2020.
- The Town’s stated long-term plan to paying this debt obligations is, for the first several years, to pay the annual debt service principal from fund balance reserves while using annual funds to pay the annual interest. The Town has discussed potentially paying off this debt service early once the Potter/Pleasant Plains project is complete. Given this project’s projected cost increase, the Town will continue to evaluate the best approach moving forward.
- The principal payment amount of \$291,800 is included in the FY2021-22 budget for the March 2022 payment as well as \$77,200 in interest.

Expenditure Trend Data:



Note: FY2020~ - Projected actual expenditures
 FY2021* - Proposed budgeted expenditures

Fund Balance Analysis:

Fund balance is simply explained as the amount of assets in excess of liabilities in a given fund. The benefits of having a healthy fund balance include enabling the Town to meet our financial obligations without interruptions due to cash flow, having a good credit rating, generating investment income, eliminating the need for short-term borrowing, and providing a reserve of funds to respond to emergencies, opportunities, and non-reoccurring capital needs.

The North Carolina Local Government Commission (LGC) monitors the level of fund balance each locality maintains as a sign of their relative financial strength. One significant benchmark the LGC uses is that fund balance must amount to at least 8% of total expenditures, below which they express concern to the locality and direct action to increase the balance. In addition to the 8% State requirement, the Town through adopted policy requires itself to maintain a minimum available fund balance of 30% of budgeted expenditures. The Town maintains a strong level of fund balance in the General Fund as evidenced by our most recent projection that available fund balance will be approximately 108.32% of total budgeted expenditures on June 30, 2021.⁵

As of 4/30/21, here is an overview of the Town’s fund balance levels:⁶

	7/1/2020 Balance	Change in Balance	4/30/2021 Balance
Unassigned Fund Balance	\$ 4,138,319	\$ -	\$ 4,138,319
Stabilization by State Statute	401,137	-	\$ 401,137
Powell Bill	291,514	285,561	\$ 577,075
Drug Forfeiture	53,262	(2,867)	\$ 50,395
Capital Project Fund - Potter/Pleasant Plains	1,193,280	-	\$ 1,193,280
Capital Project Fund - New Town Hall and PW Buildings	-	-	\$ -
Fees in Lieu of Park Land	374,474	52,385	\$ 426,859
Subsequent year expenditures	2,091,800	-	\$ 2,091,800
30 Percent Reserve	2,189,160	-	\$ 2,189,160
YTD Revenue less Expenditures	-	995,814	995,814
Total Fund Balance - General Fund	\$ 10,732,946	\$ 1,330,893	\$ 12,063,839
Fund Balance - Storm Water	\$ 1,080,355	\$ 216,313	\$ 1,296,668

This FY 21-22 budget proposal allocates \$991,800 in fund balance reserves including the following allocations and corresponding expenditures:

- \$291,800 – This amount is for the principal portion of the annual debt service payment for the New Town Hall loan.
- \$125,000 – This amount is to help supplement street maintenance efforts in FY 21-22. See the transportation section above for a more detailed discussion on this topic.
- \$550,000 – This amount is for the estimated cost of construction of the Vickery greenway section. This includes \$426,858 from funds restricted for park use plus \$123,142 from unrestricted funds.
- \$25,000 – Drug forfeiture funds restricted for law enforcement purposes to address needs as they arise.

⁵ Projection as of 5/18/21. Available Fund Balance - \$9,027,700; Expenditures at \$8,333,985

⁶ From the April financial report. Some additional notes:

- Overall General Fund Balance increase is due departmental cost savings primarily in Transportation department due to delayed bid of road resurfacing contract
- Revenue less Expenses expected through 4/30/2021 is \$1.33M
- Powell Bill fund changes are Powell Bill Revenue less expenditures
- Drug Forfeiture represents Federal funds received less expenses
- Storm Water Fund balance increase is excess revenue over expenditures through 4/30/2021

STORMWATER FUND

The Town operates a stormwater utility fund as an enterprise fund. Revenues come from stormwater fees charged on properties and the Town uses these funds to maintain/improve the Town's public stormwater system. This proposal recommends keeping the FY 21-22 stormwater rate unchanged at \$46 per lot for residential and \$33 per ERU for commercial properties which is estimated to generate about \$490,000 in revenue annually. These revenues should allow the Town to continue inspections, maintain our stormwater system, and otherwise meet the standards of the federally mandated Phase II stormwater program.

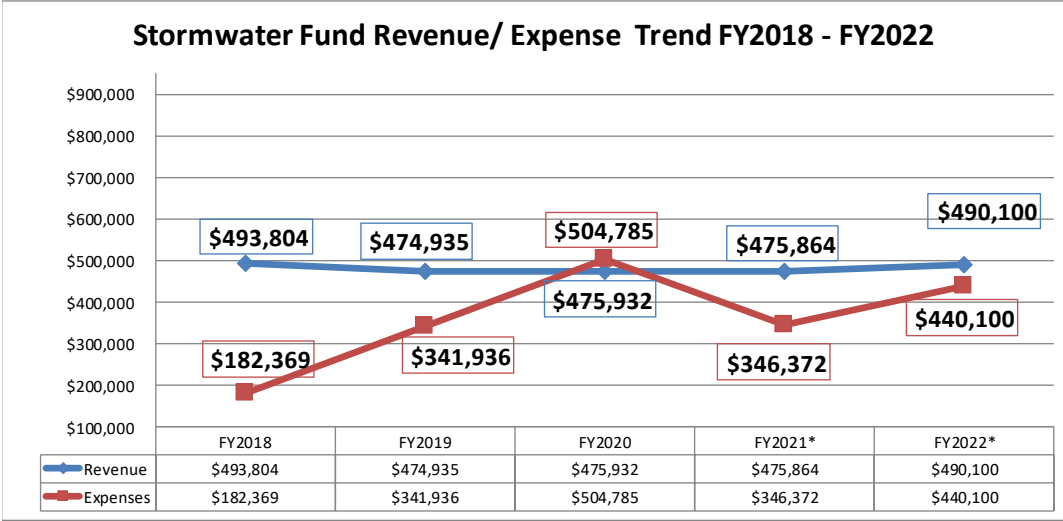
For FY 21-22, revenues and expenses decrease by \$25,400 (4.9%) compared to the FY 20-21 budget. This is due to a budgeted decrease in storm water tax revenues which was experienced in FY 20-21 and to maintain a conservative fiscal posture, especially during the ongoing COVID-19 pandemic. For FY 21-22, the Town has also budgeted for \$23,000 in contingency⁷. This will be appropriated if it is needed during the fiscal year.

In FY 20-21, the Town budgeted for proactive preventative services including street sweeping and having a vacuum truck service to keep our stormwater basins clear of debris. In FY 21-22, expenditures for these proactive preventative services are also included. While there will always be stormwater problems that we must reactively respond to, it is also important for the Town to continue to invest resources in proactive preventative measures. Being proactive is often more cost-efficient than just responding to issues when the Town receives a complaint and increases the likelihood the Town can address stormwater issues before they grow larger and cause a proportionally greater negative impact in practice and on the budget.

Regarding stormwater fund balance levels, the Town's historic goal has been to maintain fund balance reserves at a minimum of \$1,000,000 to address unexpected stormwater projects. The rationale behind carrying such a significant level of reserves is that unexpected stormwater repairs have the potential to be very expensive. If multiple unexpectedly large projects happened in a single year, the Town would need the capacity to fund these unexpected repairs while continuing to address the more common stormwater repairs that are typical on an annual basis. If the Town did not have sufficient reserves to cover these costs, the Town would need to borrow money or choose not to make needed repairs. As of April 30, 2021, the Stormwater fund balance is at \$1,296,668.

The following graph shows recent revenue and expenditure trends:

⁷ State law indicates that contingency shall not exceed 5% of all other appropriations in the same fund.



Note: FY2021* - Projected actual revenues
 FY2022* - Proposed budgeted revenues.

CAPITAL PROJECT FUNDS

Potter/Pleasant Plains Improvements:

Since FY 2013-14, the Town has been working to bring about needed improvements to the intersection of Potter Road and Pleasant Plains Road using a mix of local and State/Federal funds through agreements with NCDOT and Union County. Notably, this is a state road under NCDOT jurisdiction, and the Town took on the challenge of securing funds, designing the project, and overseeing construction in an attempt to move the construction of this much needed project forward. These improvements include widening Pleasant Plains Road from east of Aurora Boulevard to west of Lakewood Drive, widening Potter Road from Azteca Drive to Old Monroe Road, and providing water and sewer improvements along Potter Road to Monroe Road.

The original total budget not including design was approximately \$2,825,000, with about \$2,323,000 spent or incurred on right-of-way acquisition and design phases thus far. In FY 19-20, the Town was reimbursed about \$1,215,505 from NCDOT and Union County for work already completed. With right-of-way acquisition complete and the anticipated completion of utility movements, the Town had planned to bid out the project as soon as possible.

In March 2021, an updated project cost was prepared by the design consultant showed a total project cost that has escalated significantly due to current market conditions, right-of-way costs, and other factors. This updated estimate of cost results in an anticipated gap between the cost of the project and the reimbursement allowance to the Town from NCDOT and Union County that, at \$3,649,367, is significantly more than what was budgeted by the Town. To move forward with the project, the Town is required to cover the cost overage in addition to the \$491,437 of non-reimbursable expenses paid by the Town to date. This additional cost, if covered by the Town, would essentially deplete the majority of the Town's available/unassigned fund balance reserves.

Since the updated project cost estimate was provided, the Town has been diligent in coordinating a solution to covering the gap between the project cost and the available reimbursement funds. This effort has been conducted with a three-fold approach as outlined below:

- The Town has been working diligently with NCDOT and the Charlotte Regional Transportation Planning Organization (CRTPO) to identify and aggressively pursue available funding dollars to help cover the additional project costs. The Town submitted an application on April 30, 2021 requesting the maximum amount possible of \$2,197,110 in additional project funds. The grant applications are under review and funding dollars will be awarded in July and NCDOT will hopefully approve an updated intergovernmental agreement by October 2021. We are very optimistic about receiving additional project reimbursement funds based on preliminary feedback from CRTPO staff and the coordination we had with them leading up to the submittal. On May 13, 2021, the CRTPO Project Oversight Committee recommended the Town be awarded the requested funds. This does not guarantee the funds will be awarded, but it is an important step towards securing funds.
- The Town has been coordinating with state elected officials in an effort to secure additional project funds from other sources.

- The Town has requested that NCDOT provide road repairs at the P3 intersection to address the immediate need for maintenance until construction begins.

As the Town works towards the goal of fixing this intersection, the Town will update the budget in the future when a satisfactory funding solution is achieved but until then the project is on pause.

Attached to this Budget Message are the:

FY 2021-22 Proposed Budget Ordinance
FY 2021-22 Fee Schedule
FY 2021-22 Line-Item Budget

Respectfully submitted this is the 18th day of May 2021.



M. Alexander Sewell, Esq.
Town Manager



REVENUE NEUTRAL TAX RATE FY 21-22

North Carolina General Statute 159-11(e) requires local governments to publish a revenue-neutral tax rate “in each year in which a general reappraisal of real property has been conducted, the budget officer shall include in the budget, for comparison purposes, a statement of the revenue-neutral property tax rate for the budget. The revenue-neutral property tax rate is the rate that is estimated to produce revenue for the next fiscal year equal to the revenue that would have been produced for the next fiscal year by the current tax rate if no reappraisal had occurred.”

2020-21 Tax Rate prior to revaluation:	0.215
2021-22 Revenue Neutral Tax Rate to produce equivalent tax levy:	0.164
2021-22 Revenue Neutral Tax Rate adjusted for growth:	0.166