

BUDGET MESSAGE

TO: The Honorable Mayor Gorham and Reidsville City Council
DATE: May 14, 2024
RE: Proposed Budget for Fiscal Year 2024-2025

Dear Mayor and Members of City Council:

Herein submitted for your consideration, pursuant to my responsibility as City Manager and Budget Officer, is the City of Reidsville Fiscal Year 2024-2025 Annual Budget scheduled to begin on July 1, 2024 and end on June 30, 2025. City Staff is to be commended for all their efforts and hard work to ensure this proposed budget serves the needs of the public, while meeting the governing board's priorities and policies.

The budget has been prepared in accordance with the North Carolina Local Government Budget and Fiscal Control Act as required by North Carolina General Statute 150-7. As required, all funds within the budget are balanced along with all anticipated revenue and expenditure estimates being identified for Fiscal Year 2024-2025. Notice of this submission will be given to the news media and the public, and a public hearing will be scheduled at the City Council's meeting on June 11, 2024 at 6:00 p.m. A copy of this proposed budget will be placed on file with the City Clerk and will be available for public inspection during normal business hours within 10 days prior to the June 11th public hearing. As is traditional, a copy will also be placed in the Reidsville Branch of the Rockingham County Public Library to facilitate its examination by our citizens and stakeholders.

Introduction

The objective of this proposed budget is to ensure the needs of all our citizens are met in a cost-effective manner. The proposed Citywide budget is \$39,781,750 versus the FY 23-24 amount of \$33,398,450. This is an increase of \$6,383,300, which is related to personnel costs with the remainder being spread across departmental operations due mainly to inflation and capital needs. After accounting for payments and transfers between funds, the true total proposed for Fiscal Year 2024-2025 is \$33,856,750.

The City of Reidsville Fiscal Year 2024-2025 Annual Budget is composed of seven permanent funds: General, Parks & Recreation, Reidsville Downtown Corporation, Combined Enterprise, Police Separation Trust, Garage and Insurance Funds. All seven (7) funds are balanced in regards to revenues and expenditures.

The City of Reidsville is experiencing residential, commercial and industrial growth. Holiday Loop Apartments, consisting of 216 units, has begun construction; Clarks Preserve Phase 1 will begin construction Summer of 2024 ~~with~~ ~~with~~ 149 single family homes; Residential construction for Reid School Road's 176 units that include single family, townhomes and duplexes will be constructed between 2024-2026; Clarks Preserve Phases 2 & 3 include 251 ~~single~~ ~~single~~-family homes; Belmont Estates construction includes 194 Townhomes; Sherwood Glenn includes 48 ~~single~~ family homes; ~~And~~ ~~and~~ Gibbs Lake Road includes 176 ~~single~~ ~~single~~-family homes. All of these residential housing projects bring a proposed 1,210 new residential units to our City. Our City has also ~~saw~~ ~~seen~~ a lot of new commercial businesses open this year. In addition to growth in residential and commercial, the City of Reidsville is seeing industrial growth. Farmina ~~pet~~ ~~Pet~~ ~~foods~~ ~~Foods~~ and Dry-lock Technologies are a couple of current industrial projects.

As Reidsville grows, the City must prepare for today and plan for tomorrow. It is paramount the City of Reidsville ensures capital equipment needs, capital projects, and personnel retention needs are met. The City, as with the rest of the Country, has seen record inflationary increases in our operating expenses. Operating expenses continue to increase due to inflation. Suppliers and contractors have significantly increased their prices on goods and services. According to the Consumer Price Index (CPI) for North Carolina as of March, 2024, prices increased 3.5 percent over the past year. The City is experiencing rising costs across ~~general~~ ~~General fund~~ ~~Fund~~ departments. For, example the City of Reidsville provides Street ~~lights~~ ~~Lights~~ throughout our City. Our monthly electric bill was \$21,000 as of July 2023, which equals to \$252,000 annually. As of January, 2024, our monthly electric bill for Street Lights increased to \$29,000, which equates to \$348,000 annually. This is an increase of \$96,000. In spite of increased costs, we have held some general operating costs to current levels in order to balance the ~~fiscal~~ ~~Fiscal year~~ ~~Year~~ 2024-2025 budget.

Personnel Benefits

The City's greatest asset is ~~the~~ ~~its~~ employees. It is imperative that the City of Reidsville focus on retaining employees. Therefore, this budget includes a ~~Cost~~ ~~Cost-of-of~~ Living Adjustment (COLA) of four (4%) percent for all full-time employees. The total cost for the COLA is \$435,000, which includes benefits. This budget includes funding for employees to receive up to a three (3%) percent merit based on their annual evaluation. This budget also includes one (1) floating holiday for all full-time employees.

Retirement

The City participates in the Local Government Employees Retirement System (LGERS), which is administered by the NC State Treasurer. While the NC retirement system is one of the strongest in the Country, planned increases to contribution rates have been scheduled to maintain the integrity of the plan. 2024-2025 is the sixth consecutive annual increase added to the contribution rate. The rate for General employees will increase from 12.92% to 13.67%, and the rate for Law Enforcement will increase from 14.04% to 15.04%. The change in rates represents an ~~an~~ \$80,000 approximate increase for the 2024-2025 budget.

Health Insurance

The City is insured through the Municipal Insurance Trust of the NC League of Municipalities. The City is fully insured in that a set premium is paid per employee and there is no assessment made if claims exceed the premiums. The increase for the City came in at nine (9%) percent. The 2024-2025 budget has absorbed this increase, allowing employees to continue coverage at no cost. Rates to electively cover spouses and/or dependents did increase by nine (9%) percent for employees.

The 9% increase resulted in a \$1,000 increase in cost per employee and eligible retiree, bringing the annual cost per participant to \$13,000. This increase represents an \$216,500 approximate increase for the 2024-2025 budget.

Pay Plan

The City of Reidsville reviews a third of its² employees every year in comparison to the market and for internal equity. As a point of reference, the three groups for the pay plan study are as follows:

Year 1: Police Category

Year 2: Public Works Category

Year 3: Remaining Category (All Others, including Management Team)

The implementation of year one (1) of the market pay plan is proposed as part of this ~~fiscal-Fiscal~~ ~~year-Year~~ 2024-2025 budget. The total cost for the Police Group pay plan implementation is \$310,000, which includes benefits and a factor for compression.

Funds included in the 2024-2025 budget to complete the study for year two (2) **Public Works** includes a compression study, with a July 1, 2025 planned implementation.

New Positions

This proposed budget for Fiscal Year 2024-2025 allots for the following new positions:

Community Development is budgeted for two (2) new full-time positions. One (1) Customer Service position. The total cost to implement this position is \$59,600. This position would provide customer service at the Community Development customer service window. This position would also be responsible for answering and transferring all calls received to the City of Reidsville. This position is needed due to the increased number of customers ~~utilized-utilizing~~ the Customer Service window at City Hall. The other position is for one (1) new building inspector position. The total cost to implement this position is \$72,500. This position is needed to assist with the residential and commercial growth the City of Reidsville is experiencing. In the next two (2) years, the City is expected to gain 1,210 new residential housing units.

All General Fund and Parks and Recreation capital outlay requests were cut from the proposed 2024-2025 budget except for three (3) patrol vehicles for the Police Department and one (1) single axle dump truck for the Streets Department. This was necessary in order to balance the proposed budget.

Capital requests were cut in order to account for a four (4%) percent COLA, three (3%) Merit, pay plan implementation, benefit increases, inflation and new positions.

General Fund

Capital Outlay of \$1,308,036 was requested for the 2024-2025 fiscal year. Cuts have been made since the first budget work session on April 22, 2024. The Capital ~~outlay~~-Outlay requests have been reduced to \$332,800. The items listed below are recommended for current year surplus expenditures or carryover funds. There is a surplus in expenditures expected in the 2023-2024 budget year due to conservative spending.

The following Capital Outlay requests for \$359,200 is recommended utilizing the expected expenditure surpluses for the 2023-2024 budget year. The Capital requests outlined below should be considered for carry over funding Fall,2024.

- Fire Department	Replace a 2008 Pick Up Truck	\$53,000
- Fire Department	Replace Floor at Station 3	\$5,695
- Solid Waste	Replace 624 Trash Cans	\$43,000
- Solid Waste	New Cylinder for Transfer Station	\$17,000
- Streets Department	Leaf Machine	\$75,000
- Garage Department	Lift	\$11,775
- Engineering Department	GPS Unit	\$7,400
- Parks & Rec Facilities	Zero Turn Mower	\$13,700
- Parks & Rec Facilities	Replace roof & floors JC Park Bathroom	\$6,565
- Cemetery Division	New Doors at Cemetery Building	\$8,300
- Police Department	Two new patrol cars	\$111,200

The following Capital Outlay requests for \$575,036 are proposed to be funded by other methods.

- Main Street	Wood Repair at Market Square	\$24,500
- Solid Waste	One Arm Bandit Trash Truck	\$425,000
- RCARE	New Passenger Van	\$125,536

It is recommended the wood repair at Market Square be submitted to the Reidsville Downtown Corporation (RDC) for consideration of funding through the Municipal Service District Tax (MSD).

The City should seek financing options to pay for the One Arm Bandit Trash Truck that was requested by the Solid Waste Department. There is an eighteen (18) month lead time for this truck. Grant opportunities and used vehicles should be looked at in regards to funding for the new passenger van requested by RCARE.

Parks & Recreation Fund

Capital ~~outlay~~-Outlay of \$41,000 was requested for the 2024-2025 fiscal year. All ~~Capital~~-capital was cut in the proposed 2024-2025 budget. Cuts have been made since the first budget work session on April 22, 2024. The items listed below are recommended for current year surplus expenditures or carryover funds. There is a surplus in expenditures expected in the 2023-2024 budget year due to conservative spending.

- <u>Parks & Rec</u>	Rec Building Bathrooms	\$21,000
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Combined Enterprise Fund

The total requests for ~~capital~~-Capital outlay-Outlay within this fund were for \$557,400; all of these items are included in the proposed ~~fiscal~~-Fiscal year-Year 2024-2025 budget.

- Plants Maintenance Division	New Pick Up Truck	\$45,000
- Plants Maintenance Division	New Trailer	\$5,500
- Waste Water Department	Sand Filter Controls	\$184,900
- Water Treatment Department	Raw Water Pump Rebuild	\$50,000
- Water Treatment Department	TOC Analyzer	\$37,000
- Water Treatment Department	Two Tanks	\$38,000
- Water Treatment Department	Heaters for building	\$25,500
- Water Treatment Department	Barricades or Water Intake	\$107,000
- Sewer Lines Division	Natural Gas Generator	\$65,000

The total request for the Comprehensive Improvements Plan (CIP) within this fund were \$1,042,900; all of these items have been included in the proposed ~~fiscal~~-Fiscal year-Year 2024-2025 budget.

- Water Treatment	Sludge Removal Valve Improvements	\$208,000
- Water Treatment	Hydrant Assembly Repair/Replacement	\$62,400
- Water Treatment	Valve Repair/Replacement	\$62,400
- Sewer Treatment	4X4 Flusher Truck	\$310,000
- Sewer Treatment	Pick Up Truck	\$54,700
- Water & Sewer	Line Replacement/Repair	\$224,600
- Meter	Meter Replacement	\$120,000

Revenues will be discussed via the respective funds for easier understanding. As a point of reference, please see Section B, Citywide Revenues for a breakdown of recommendations.

The Fiscal Year 2024-2025 proposed budget recommends the General Fund's tax rate decrease from \$0.739/\$100 of valuation to \$0.660/\$100 of valuation. This is the lowest tax rate in twenty-four (24) years. The Municipal Service District tax rate is recommended to remain the same at \$0.25/\$100 of valuation. There is no appropriation of Fund Balance in the proposed 2024-2025 General Fund budget.

Section B, Appendix D – Historical Summary of Property Tax Information provides additional traditional tax data.

Rising inflation costs are a contributing economic factor for the City of Reidsville's revenues. Revenues in the 2024-2025 budget are mostly unchanged. With the exception of ad valorem taxes, occupancy tax increased \$30,000, Tourism Development Authority distributions increased \$30,000, School Resource Officer reimbursements increased \$35,000, Powell Bill allocation increased \$75,000 and the City's cell tower lease increased by \$2,000.

Statement of Revenue Neutral Tax Rate

North Carolina counties must conduct a countywide revaluation of all real property within the county at least every eight (8) years. Rockingham County, NC has completed ~~our the county~~ countywide revaluation for 2024. The last countywide revaluation occurred in 2020. North Carolina G.S. 159-11 (e) requires each taxing unit to publish a revenue-neutral property tax rate as part of its budget for the fiscal year following the revaluation of its real property. The purpose of the revenue neutral tax rate is to provide citizens with comparative information.

As defined in N.C.G.S. 159-11(e) "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. To calculate the revenue-neutral tax rate, the budget officer shall first determine a rate that would produce revenues equal to those produced for the current fiscal year and then increase the rate by a growth factor equal to the average annual percentage increase in the tax base due to improvements since the last general reappraisal. This growth factor represents the expected percentage increase in the value of the tax base due to improvements during the next fiscal year. The budget officer shall further adjust the rate to account for any annexation, de-

annexation, merger, or similar event.”

The City of Reidsville’s current total property value is estimated at \$1,235,636,595.

As part of calculating a revenue neutral tax rate, G.S. 159-11 (e) provides that a growth factor be used in calculating the revenue-neutral rate based upon the average increase in the tax base “due to improvements since the last general reappraisal.” In applying a revenue neutral tax rate to be included in the budget ordinance adjusted for growth of 0.80% to the tax rate of (\$0.7390) cents per one hundred dollars (\$100) of valuation, a revenue neutral tax rate would be (\$0.5713) cents per one hundred dollars (\$100) of valuation. Figure 4 Appendix D, Property Tax Information, illustrates revenue neutral and growth factor calculations (see attachment). However, it is recommended that the City of Reidsville adopt a tax rate of (\$0.6600) cents per one hundred dollars (\$100) of valuation for fiscal-Fiscal year-Year 2024-2025. This proposed tax rate is the lowest tax rate the City of Reidsville has had since the 2000-2001 fiscal year. This recommendation is due to increased operating costs, rising costs in personnel and the purchase of capital equipment in the General Fund.

Municipal Service District Tax

The reappraisal produced a tax base of \$18,253,788. This is an increase of \$1,311,560 in assessed value from the current fiscal-Fiscal year-Year 2023-2024. The tax base for fiscal-Fiscal year-Year 2023-2024 was \$16,942,228.

Using the new tax base of \$18,253,788 in fiscal-Fiscal year-Year 2024-2025, a tax rate of (\$0.232) cents per one hundred dollars (\$100) of valuation is needed to produce a revenue neutral budget for fiscal-Fiscal year-Year 2024-2025.

The current tax rate of \$0.250 cents per \$100 of valuation is recommended ed for this fund.

Parks & Recreation Fund

This fund remains largely the same as last year with an overall increase of \$114,100 (5.78%) related primarily to personnel increases due to COLA and Merit. There are no rate increases proposed for this fund in the 2024-2025 proposed budget.

The last utility rate increase for the City of Reidsville was in 2020. The City of Reidsville has been operating on the same budget for the past four (4) years. This is no longer sustainable.

The City of Reidsville contracted with McGill Engineering this current budget year to complete a Comprehensive Improvements Plan (CIP). This plan took an in-depth look into the current and future needs of our Water and Waste Water Systems.

The CIP also looks at what our City's utility rates need to be in order to operate these systems. Operating expenses will increase \$1,604,950 (19.58%). Debt service will increase \$694,850 (38.60%) and Capital Outlay will increase from nothing in the current fiscal year budget to \$1,600,300. This is a total increase of \$3,900,100 in the Combined Enterprise Fund. As stated earlier, the City of Reidsville is growing and poised for even more growth in our future. In order to meet the current ~~of~~ and future demands of our utility customers, a thirty-five (35%) percent utility increase is proposed in the ~~fiscal~~ Fiscal year-Year 2024-2025 budget. It is recommended that the utility rate increase become effective October 1, 2024. This will give all utility customers ample notice and time to budget for the increase.

Other Funds

The other remaining funds are either internal or special funds that serve a specific purpose within the organization (Police Separation Allowance, Garage, and Insurance Reserve Funds) or community (Reidsville Downtown Corporation). The Police Separation Allowance Fund decreased \$66,200 from the current year; the Garage Fund increased \$59,950 due to inflation; ~~The~~ Insurance Reserve Fund increased \$146,300 due to rate increases and the effects of higher salaries on Workers' Compensation premiums.

Expenditures

Expenditures will be discussed via the respective funds for easier understanding. As a point of reference, please see Section B, Citywide Expenditures for a breakdown of requests and recommendations.

General Fund

The General Fund's expenditures are proposed to increase by \$2,228,800 (11.13% overall). This increase is from a 9.65% increase in operations, no change in debt service and capital outlay totaling \$332,800.

Parks & Recreation Fund

The Parks and Recreation Fund expenditures saw an overall increase of \$114,100 (5.78%). This increase was driven by inflation, COLA and Merit. Section D includes Parks and Recreation departmental overviews, objectives, and line item details.

Combined Enterprise Fund

The Combined Enterprise Fund did see an increase in expenditures in the proposed budget of \$3,900,100 or 39.02%. This increase was due to inflation in operating expenses, increased

personnel costs, additional debt service and capital outlay.

Section F includes Combined Enterprise Fund departmental overviews, objectives and line item details.

Other Funds

The Reidsville Downtown Corporation budget increased \$250.00 for marketing expenses. The RDC is a partnership between the private sector and the City, so staff will be assisting as in past years. The remaining internal funds see anticipated expenditures for the upcoming fiscal year met.

Sections E, G, H, and I include departmental overviews, objectives, and line item details for each fund.

Debt Service

The City of Reidsville Debt Service Summary is located in Section B, Appendix C. The General Fund and Parks & Recreation Fund have a total Fiscal Year 2024-2025 beginning balance of \$6,430,475. Debt Service payments for ~~fiscal~~Fiscal year-Year 2024-2025 total \$612,918, with no new debt being proposed in the upcoming 2024-2025 budget.

The Combined Enterprise Fund has a total Fiscal Year 2024-2025 estimated beginning debt balance of \$33,828,606 with potential debt service of \$2,489,974 scheduled to be paid. Three in-process capital projects, the BNR WWTP Project, the WWTP Headworks and the Redundant Water Line, have been awarded grants and low interest loans that have been preliminarily included in the City's debt schedule. The 2012 and 2013 Revenue Bond issues of the City have debt covenants that must be considered with issuing any new debt financing, along with the ability to pay the related debt service. At any point, debt financing remains a viable method to improve the City's existing infrastructure.

Summary

This budget for ~~Local~~-Fiscal Year 2024-2025 is balanced as required by law and continues to provide existing services while meeting the governing board's priorities and policies.

The Fiscal Year 2024-2025 budget proposal involved a lot of teamwork by the Management Team and many others. Assistant City Manager/Finance Director Chris Phillips is to be commended for his and his department's hard work and financial resilience in assisting with preparation of the proposed 2024-2025 budget. Assistant City Manager Haywood Cloud is also to be commended for his assistance in this proposed budget. I would also like to thank City Clerk Angela Stadler and Deputy City Clerk Latasha Wade for their hard work and commitment in preparing the budget notebooks.

I look forward to working with the City Council, City staff and our citizens to implement this budget over the 2024-2025 fiscal year.

Respectfully Submitted,

Summer Woodard
City Manager

