

City of Reidsville Fiscal Year 2018-2019 Budget

BUDGET MESSAGE

TO: The Honorable Mayor Donecker and Reidsville City Council
DATE: May 8, 2018
RE: Proposed Budget for Fiscal Year 2018-2019

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 2018-2019 Annual Budget scheduled to begin on July 1, 2018 and end on June 30, 2019. It represents the combined efforts of City staff to set a financial course of action to serve our supporting public while implementing the directions and desires of the Governing Body. The goal is to meet the City's basic needs in core operations and address as many capital improvement needs as financially feasible. The budget does not, however, provide all of the funds requested for capital needs and operations within the City of Reidsville.

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 2018-2019. Notice of this submission will be given to the news media and the public, and a public hearing will be tentatively scheduled at the City Council's regular meeting on June 12th 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 12th 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 City of Reidsville Fiscal Year 2018-2019 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 funds are balanced in regards to revenues and expenditures. Temporary funds exist on an "as needed" basis usually occurring over multiple fiscal years possessing their own separate budget ordinance approved by City Council, typically related to capital projects, and will not be included in this document. The proposed City-wide budget is \$28,636,800 versus FY 17-18's amount of \$28,529,000. This increase largely has been driven by the increase in sales tax growth, the tipping fee increase proposal from the County and restructuring associated within the Main Street Program within the General Fund, along with a utility fee increase

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within the Enterprise Fund. Accounting for payments and transfers between funds, the true total for Fiscal Year 2018-2019 is \$24,368,300.

The objective of the proposed budget is holding operating expenses to a minimum while the City continues to serve the public amid rising costs that are occurring during a time period when economic growth is occurring and more appears to be on the horizon but has yet to fully occur in terms of budget revenues and certainly not at pre-recession levels. Rising costs and inflation is something a local government must deal with each fiscal year. This occurs while citizens and stakeholders request additional or what is viewed as modern services of a municipality, such as Reidsville. It is extremely impressive what has been accomplished within the City throughout its history, especially in regard to public and/or private partnership-related endeavors that continue to grow and are becoming a cornerstone of our economic development endeavors. This model will become even more important in the future as the improving economy will take action from both sectors at all levels to further improve our economic position. Developers and businesses officials are indicating an attractive economic climate within Reidsville at all levels of development. Announcements and discussion with private sector developers indicate their growing interest in the Reidsville market and community.

Much work has been pursued over the current fiscal year regarding the Reidsville quality of life. This ranges from the daily services the City offers to efforts for the prevention and case closure of criminal activity to economic development. The desire for daily services is dictated by the citizens' expectations combined with available resources resulting in a level of service in the area where the two dynamics unify. This budget has endeavored to do so again in the upcoming fiscal year. The RPD continues its efforts of both crime prevention and case closures through internal department efforts, while increasing external partnerships throughout the community via citizen/stakeholder, local, regional, state, and federal partnerships. Positive results are being achieved and the department continues to promote as much transparency as feasible to continue building upon the foundation of trust it has established. Finally, economic development has become a watchword within our City and County with recent successes. However, it is important that economic development remains a function of a community's quality of life. Industrial and residential projects that have garnered the attention of the general public and media are just a part of the endeavors the City has undertaken within the current and proposed FY budget. Workforce development is an area where the City has not only supported area initiatives, but also created specific initiatives to answer the needs of our local industries while creating another attraction for new industries. In addition, the Rise Up Reidsville residential relocation campaign will be a multi-year enterprise that is focused on the attraction/recruitment of new residents to our City. For several years now the trend statewide has been the loss of overall population in rural areas, such as Reidsville being located in Rockingham County, especially in the younger population. As such, this campaign is needed to develop awareness of what our community has to offer, visibility through multiple channels, and projects and programs that

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will ultimately help increase the sense of place that many look for when relocating to a more rural area. So far the campaign has resulted in projects and programs designed to attract a wide range of residents ranging from younger ages to those within the Retire NC program. While it is a multi-year enterprise, funding for numerous improvements to non-athletic recreation, strategic marketing, targeted advertising, and Homeside Strongside & Adopt A Home programs are included in the proposed budget. This is being operated by the City via a public relations company with existing experience and expertise in the smaller city and rural area sector.

Negative impacts that can be controlled, such as the loss of the TMD WEK closure/relocation have been addressed, and those that are beyond our control are worked upon in a near daily function, such as potential DEQ regulations on industrial-related operations that the EPA does not regulate or possible General Assembly action that could impact local finances ranging from local control matters to additional mandatory benefits to certain segments of the City's organizational workforce. Similar to the residential relocation campaign, the City understands the importance in being proactive in "telling our story" regarding both positive and negative impacts of actions our on City and County economy. A section of telling that story relates to actions by the State that are not within a sealed vacuum, but also many times can have far reaching impacts.

In addition to items previously mentioned, many of the concerns that dictated our current budget continue to influence the 2018-2019 budget proposal. The NCLM is estimating positive growth in some area of local government revenues, but staff has endeavored to be conservative since such estimates can be influenced by the larger urban areas. Assistant City Manager – Administration/Finance Director Chris Phillips took primary responsibility for projecting revenues, which he has done for a number of years with amazing accuracy, being what he termed "optimistically cautious" again this year for all budget revenues. We were fortunate to see the positive impact of our local economy increase many revenue line items, but some line items showed more limited or even decreased growth, which must remain as a focus of our budget process. Furthermore, the Reidsville Commonwealth Plant of Imperial Brands continues to remain at the center of both the City and County in efforts to retain as much or more operations in Reidsville. It has been agreed this must remain in the forefront until that decision is made by Imperial Brands. Finally, the City has continued to include our General Assembly delegation via regular communications on our initiatives and ways they can assist us, while discussing areas where legislative action hurts the City budget and citizens/stakeholders by extension either through increased costs or reduction of services. This has produced both tangible and intangible results thus far that we expect to continue.

Personnel Benefits

The City has been self-insured in regards to the health and dental insurance that is

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offered to employees, retirees and dependents. However, facing up to an estimated 13% increase, the City has changed to the NCLM for fully insured health, dental, and vision insurance for at least the next two fiscal years. The budget includes the 5.6% cost increase for the same plan, plus additions that NCLM and staff were able to negotiate for the upcoming fiscal year. The staff did an excellent job in their work in this arena to prepare options for City Council, along with providing in-depth analysis of the current insurance financial situation of the previous self-insured plan, which continued to result in negative performance. The City Council previously approved the change and increase to be included in the budget without employees having to pay a share out of pocket or having to make plan changes to employee/retiree only coverage. This resulted in a cost increase of \$510 per employee and eligible retiree only coverage along with employees utilizing dependent coverages having to pay an additional 5.6% cost increase for whatever dependent plan they elected to utilize. Within the budget request submitted, this is a cost of \$111,800 for 193 full time employees, 24 retirees, 4 retirees at 50% coverage, and 1 additional retiree for less than one year that will no longer meet the coverage age requirements. It is the belief of many that the health insurance industry will continue to see future cost increases, especially with questions remaining about the Affordable Care Act and counter legislation of the American Health Care Act. No matter your personal opinion regarding the ACA or AHCA, I believe the uncertainty connected with both remain a direct and indirect impact on operational costs.

The implementation of Year 2 of 3 (years of study and implementation) of the market pay plan has been included in the proposed budget. This represents the full cycle since this particular group has been studied and had the results implemented. As a point of reference, the three groups are as follows:

- Year 1: Police Category
- Year 2: Public Works Category
- Year 3: Remaining Category (All Others)

The results showed there was some growth in the market for Public Works Category. The results of our study were based upon the standard market pay, but it is important to remember that the careers within the Public Works Category are wide ranging within the job requirements. The funding for the study to begin again in the third category has been included, but City Council will have to determine if it desires this to occur while balancing what has just been shared regarding our budget. Based upon revenue availability and inflationary/operational cost increases via requests by the Management Tteam and mid-level supervisors, the revenue to cover the implementation of Year 3 may not be available in FY 19-20 and may require consideration of implementation in the following fiscal year. It is our hope that we will see the expansion of the tax base to be able to assist with this.

A 1% cost of living adjustment has been included within the proposed budget similar to the COLA City Council granted in the current fiscal year. Performance evaluations will

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continue to occur whether a salary increase is connected with them or not. Career development and promotion increases are scheduled to continue. This salary proposal was largely a result of increased operating costs ranging from health insurance (which has increased an approximate \$111,800 over all funds), capital outlay needs, and service cost increases, while remembering the City Council priority discussed at the two past Annual Budget Retreats to be conservative as the Commonwealth plant situation unfolds.

Capital Outlay

Capital outlay will be discussed via the respective funds for easier understanding. As a point of reference, please see Section B, Appendix B – Capital Outlay for a breakdown of requests and recommendations.

General Fund

\$373,400 was requested while \$216,950 is recommended (of which \$49,000 is appropriated fund balance whose appropriation is recommended as a result of discussion at the 2018 Annual Budget Retreat that the level of General Fund-Fund Balance should be continuously watched in regards to both increases and decreases). \$167,950 would be available next fiscal year in recurring one-time capital outlay costs versus \$249,960 from the current fiscal year.

Parks & Recreation Fund

Similar to the FY 17-18 budget, very little capital outlay was able to be allocated for this fund. \$45,000 has been allocated for three items. The pursuit of grant funding for other items is currently ongoing with some potential awards occurring in the near future.

Combined Enterprise Fund

The total requests for capital outlay within this fund were for \$837,108 while the recommended outlay is \$547,500. The City continues to recover from loss of previous heavy utility industrial customers and technology that reduces utility use. However, the City's utility rate plan as discussed at the 2016, 2017, and 2018 Annual Budget Retreats assisted with small utility rate increases to address such revenue losses while being able to address the utility system's capital outlay and operational needs. This amount will be available in following fiscal years, and the City continues to pursue grant funding for further utility system improvements.

Garage Fund

The Garage Fund is an internal support fund, which means it obtains its revenue from

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other City funds. Two capital outlay items were requested within this fund. One has been funded in the proposed fund via transfer from the General and Combined Enterprise Fund. The requested amount was \$30,000 while the recommended capital outlay is \$20,000.

Revenues

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

General Fund

The Fiscal Year 2018-2019 proposed budget has the General Fund's tax rate proposed at \$0.74/\$100 of valuation. This is the same rate as the current fiscal year. Section B, Appendix D – Historical Summary of Property Tax Information provides additional data.

As mentioned earlier, some revenues line items saw growth while others saw limited growth or actual reduction. The City has not received final figures from the Rockingham County Tax Department for the next fiscal year, but conservative estimates accounting for what was not recognized in the current FY have been completed from the past with historical growth. Rockingham County has reported a proposed planned increase in tipping fees so that line item has shown growth to reflect the increase we will have to pass along to citizens/customers.

There is an appropriation of Fund Balance within the fund for one long-term capital outlay related purchase. This was a result of discussion during the Annual Budget Retreat (and those before) that the level of General Fund-Fund Balance should be continuously watched in regards to both increases and decreases. As such, staff included a fund balance appropriation for a critically needed replacement that is reported to have a long-term use period for which said replacement had become necessary during the upcoming fiscal year.

Parks & Recreation Fund

This fund remains largely the same as last year.

Combined Enterprise Fund

The Combined Enterprise Fund saw an overall increase. There is a recommended utility rate increase of 3% that the City Council approved at its Annual Budget Retreat. The ability to provide not only for operations, but also inflationary and capital outlay costs is something that has to be reviewed on an annual basis in order to properly maintain our utility system, combined with City Council's desire to keep rate increases at a minimum both when

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a rate increase becomes necessary and versus the previous method of waiting as long as possible, resulting in a very large increase. Section B, Appendix E – Utility Rate Information Comparison provides additional data.

Other Funds

The remaining other funds are either internal or special funds that serve a specific purpose within the organization (Police Separation Allowance Trust, Garage, and Insurance Reserve Funds) or community (Reidsville Downtown Corporation). All remained relatively the same regarding their missions as appropriate for the upcoming fiscal year.

Expenditures

Expenditures will be discussed via the respective funds for easier understanding. As a point of reference, please see Section B, City-Wide Expenditures for a breakdown of requests and recommendations. All funds absorbed the associated 5.6% health increase for employees and retirees within the proposed budget. A 1% cost of living adjustment has been included as well.

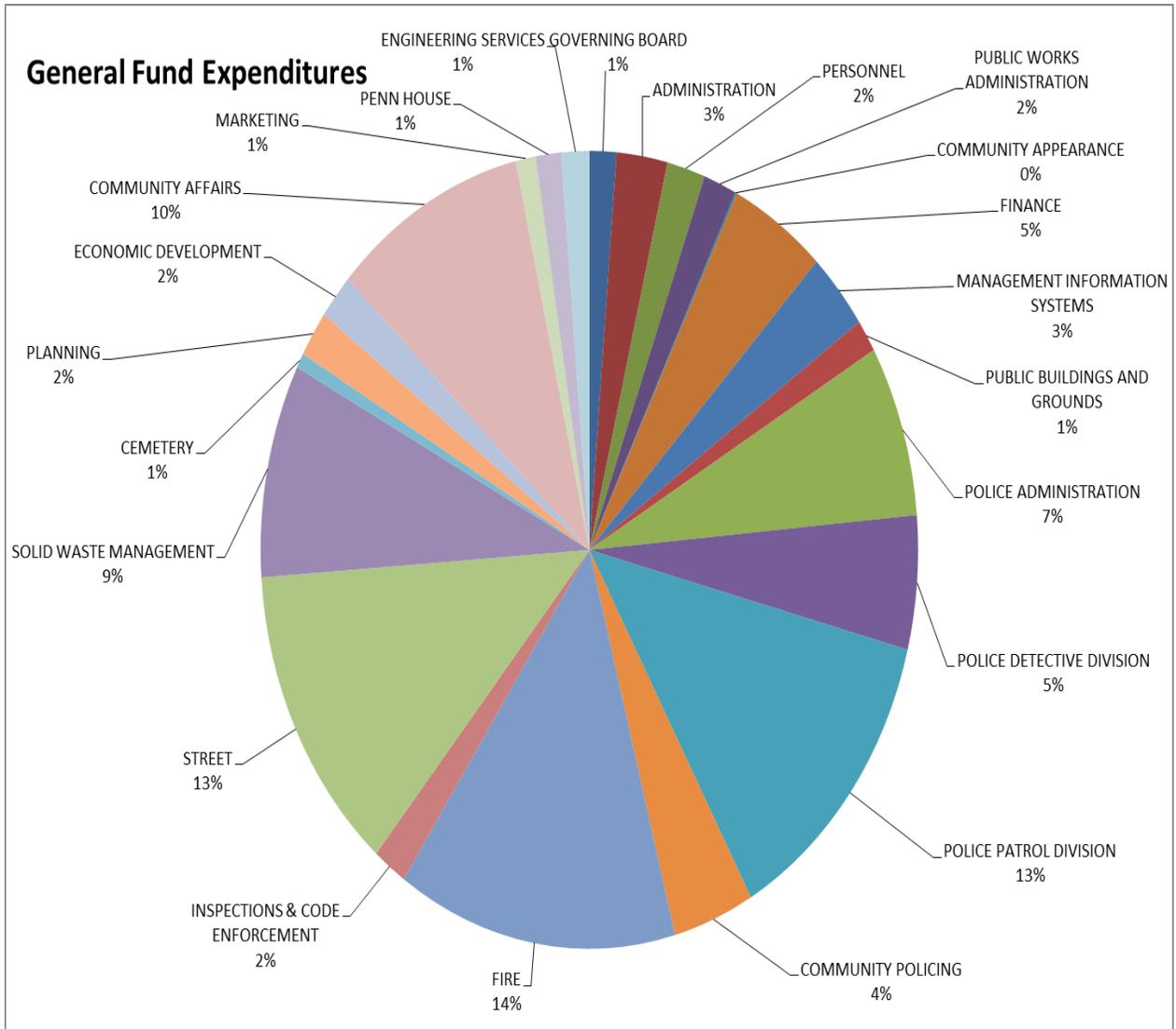
General Fund

The General Fund's expenditures did see an increase, but much of that has been attributed to the previously mentioned personnel related costs. The chart on the following page is provided with the percentage of budget expenditures via departments. Also, Section C includes a departmental overview, objectives, and line items.

A fund balance appropriation of \$49,000 for the expenditure of a signal light replacement at the intersection of Main and Woodrow Streets has been included as well. This is expected to be a long-term capital outlay item. Furthermore, the signal light serves the intersection the Cone Health Annie Penn Hospital Emergency Department ingress/egress location area.

Some positions were reassigned to proper budgetary accounts to reflect their duties. This is seen in the Police and Economic Development Departments. Section C – Appendix F includes a full summary of full-time positions.

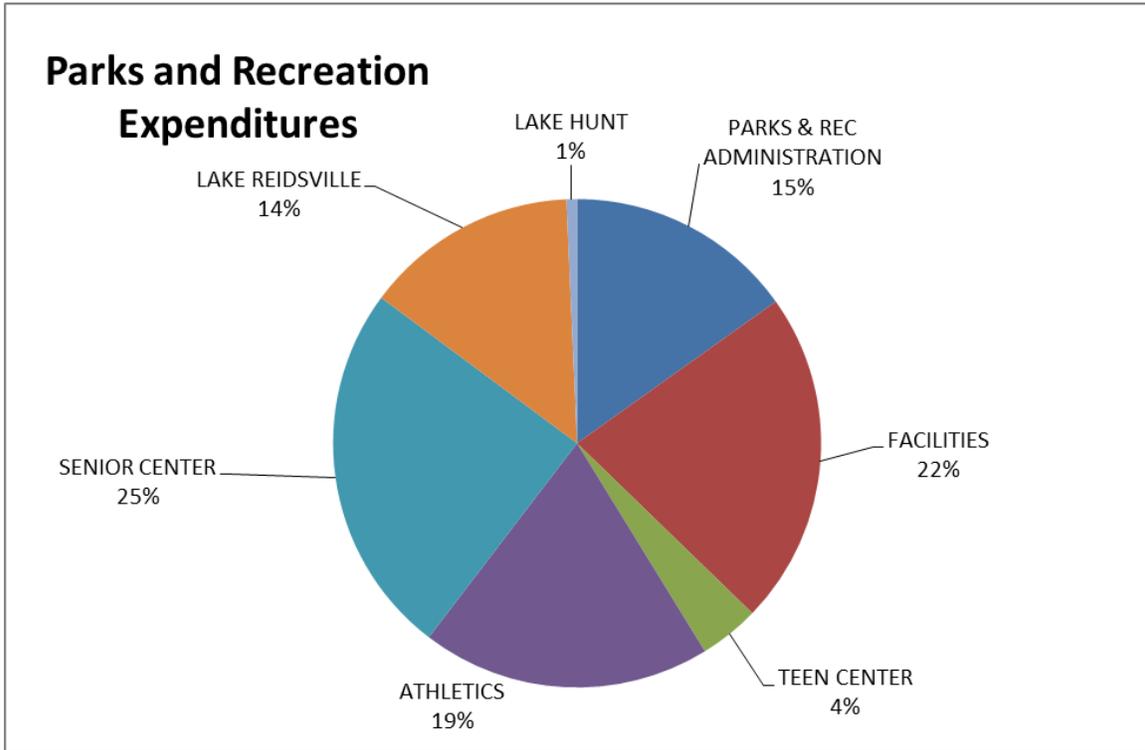
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Parks & Recreation Fund

The Parks and Recreation Fund expenditures saw a \$100 reduction with expenditures moved within the fund to address other needs this fiscal year. A chart is provided on the following page with the percentage of budget expenditures via departments. Also, Section D includes a departmental overview, objectives, and line items.

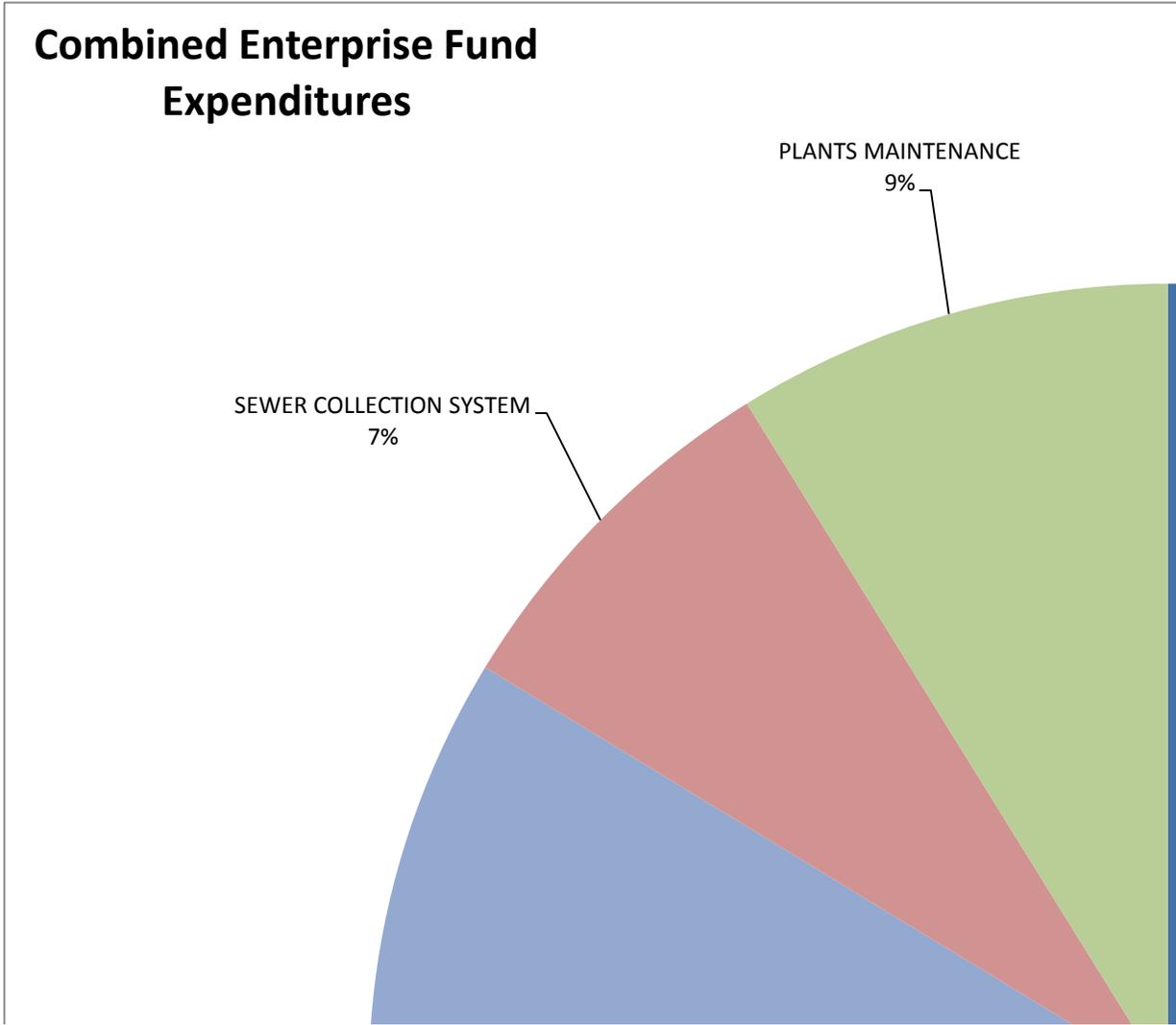
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Combined Enterprise Fund

The Combined Enterprise Fund did see an overall increase in expenditures related to the utility fee increase for operations and capital. Approximately \$547,500 is appropriated for capital outlay involving all aspects of the utility system. An increasing operating expense is the salaries of key positions within the fund as the career development plan is set up for various positions to obtain higher certifications, which is actively being utilized along with these salaries being part of the Year 2 category study. Finally, the City continues to address BNR issues with the Wastewater Treatment Plant that were discussed at the Annual Budget Retreat. A 0% interest loan via the State and a Golden Leaf grant have been secured and the payments for the former have been included within the proposed budget. A chart is provided on the following page with the percentage of budget expenditures via departments. Also, Section F includes a departmental overview, objectives and line items.

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Other Funds

The Reidsville Downtown Corporation reflects the restructuring associated with the City Main Street program with the Fall Jubilee expenditures and funding raised by the RDC members allocated in this fund. Both of these areas are required to have equal or greater revenue raised to allow budgeted expenditures. The RDC is a partnership between the private sector and the City so staff will be assisting with these as in past years.

The remaining internal funds see the anticipated expenditures for the upcoming fiscal year met. The Police Separation Trust Fund saw a decrease in payouts with the use of limited reserves for the upcoming fiscal year, as has been the case the past few fiscal years. The Garage Fund remains relatively the same operationally along with the inclusion of one requested capital outlay item. This fund will see an internal rate increase in the forthcoming fiscal year. The Insurance Reserve Fund saw a decrease in Worker's Compensation expenses, but staff is conscious one incident can have long-term impacts on claims history.

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Expenditure information for each of these other funds can be found in Section B, City-Wide Expenditures Summary, for your review. Also, Sections E, G, H, and I include a departmental overview, objectives, and line items for each fund.

Debt Service

The City of Reidsville Debt Service Summary is located in Section B, Appendix C-Debt Schedule. The General Fund has a total Fiscal Year 2018-2019 beginning balance of \$1,183,936 with debt service of \$294,737, which is scheduled to be paid. The Parks & Recreation Fund has debt for RCARE totaling \$5,002,479 with debt service of \$198,151 scheduled to be paid. The Combined Enterprise Fund has a total Fiscal Year 2018-2019 beginning balance of \$24,068,124 with debt service of \$1,764,836, which is scheduled to be paid. The greatest amount of the debt is involved with upgrades for the Water & Wastewater Treatment Plants and the Dam/Spillway repairs. It is important to be watchful of our debt service and plan accordingly with our “big ticket” item purchases. It may not be popular at the time to delay an item until a more opportune financial period, but the consequences of too large a debt load can be frightening and can add up. Also, we must be fiscally responsible for the future instead of passing on problems we inherited to be solved by future generations. Services offered to citizens are much more than just numbers on a debt service schedule.

Summary

The Fiscal Year 2018-2019 budget proposal involved a lot of teamwork by the Management Team and many others. However, we were able to meet these costs in an efficient and effective matter. Economic improvement that is occurring in Reidsville will continue to be fostered and that which is being considered or explored will be both encouraged and/or recruited, but City Staff will continue its work to maximize available revenue and curtail expenses.

Reidsville’s strong community foundation is what will allow for the retention and improvement of the Reidsville quality of life and opportunities that are referenced both by citizens and the business sector. The City has continued to make investments into all types of the public sector infrastructure, which included quality of life, in the past and Fiscal Year 2018-2019 does so again, along with taking steps to allow this pattern to continue for many subsequent fiscal years.

Thank you again for your support and I look forward to another year. It would be improper for me not to express my sincere appreciation to the Management Team and all employees for their assistance in the budget process. They all were heavily included in the process and demonstrated a desire to be part of a budget process that is feasible and effective. All were always willing to meet individually with me during the budget process to discuss their requests and explore alternatives that would be too numerous to name. I would like to

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recognize Assistant City Manager – Administration/Finance Director Chris Phillips for his particular and intense hard work and City Clerk Angela Stadler and Deputy City Clerk Cindy Farris are to be commended for their work in physically assembling the budget. I look forward to working with you and our organization applying that ability on new endeavors for the upcoming Fiscal Year 18-19.

Respectfully Submitted,

Preston W. Mitchell
City Manager

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**AN ORDINANCE ESTABLISHING REVENUES
AND AUTHORIZING EXPENDITURES
FOR FISCAL YEAR 2018-2019
FOR THE CITY OF REIDSVILLE**

WHEREAS, the City Council of the City of Reidsville has prepared an operating budget for the City of Reidsville in compliance with Article 3, Chapter 159-7 of the General Statutes of the State of North Carolina, otherwise titled the Local Government Budget and Fiscal Control Act; and

WHEREAS, after a public hearing on said budget at 6:00 p.m. on June 12, 2018, and after receiving public comment, it is now the desire of the Mayor and City Council to adopt said budget;

NOW, THEREFORE, BE IT ORDAINED, by the Mayor and City Council of the City of Reidsville that:

Section 1. The following revenues are hereby established for the operation of the City of Reidsville and its activities for Fiscal Year 2018-2019:

General Fund Revenues

Property Tax	\$8,530,000
MSD Property Tax	35,000
Sales Tax	3,222,700
Other Tax	110,000
Permits & Fees	126,500
Unrestricted Intergovernmental	1,675,850
Restricted Intergovernmental	652,400
Miscellaneous	62,500
Grants and Donations	163,000
Investment Earnings	25,000
Service Fees	482,000
Payment and Transfers	1,453,700
Proceeds of Debt	0
Fund Balance	<u>49,000</u>
Sub-total	\$16,587,650

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Recreation Fund Revenues

Service Fees	\$271,000
Grants and Donations	10,500
Payments and Transfers	<u>1,358,000</u>
Sub-total	\$1,639,500

Reidsville Downtown Corporation Revenues

Fundraisers/Rent	5,000
Festival Income	<u>23,000</u>
Sub-total	\$28,000

Combine Enterprise Fund

Service Fees - Water	\$3,875,250
Service Fees - Sewer	4,979,500
Investment Earnings	40,000
Payment and Transfers	<u>328,650</u>
Sub-total	\$9,223,400

Police Separation Trust Fund

Payment and Transfers	\$157,500
Fund Balance	<u>12,250</u>
Sub-total	\$169,750

Internal Service (Garage) Fund Revenues

Service Fees (Internal)	\$551,300
Miscellaneous	0
Payment and Transfers	<u>20,000</u>
Sub-total	\$571,300

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Insurance Reserve Fund

Service Fees (Internal)	\$417,200
Fund Balance	<u>0</u>
Sub-total	\$417,200
Less Interfund Transfers	<u>(\$4,268,500)</u>
Total	<u>\$24,368,300</u>

Section 2. The following expenditure totals are hereby authorized for the City of Reidsville and its activities for Fiscal Year 2018-2019:

General Fund Expenses

Governing Board	\$211,000
Administration	416,200
Personnel	309,600
Public Works Administration	263,200
Community Appearance	13,500
Finance	820,450
Information Technology	430,150
Public Buildings & Grounds	220,500
Police Department:	
Police Administration	1,177,050
Police Detective Division	846,200
Police Patrol Division	2,362,800
Police Community Policing Division	<u>493,450</u>
Combined Police Department	4,879,500
Fire	2,229,100
Code Enforcement	283,600
Street	2,142,650
Solid Waste Management	1,468,300
Cemetery	106,750
Planning	321,100
Economic Development	250,300
Community Affairs	1,571,200
Marketing	189,600
Main Street	129,700
Penn House	102,200
Engineering Services	<u>229,050</u>
Sub-total	\$16,587,650

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Recreation Fund Expenses

Administration	\$257,800
Facilities	310,950
Teen Center	75,300
Athletics & Other Programs	334,600
Senior Citizens' Center	409,750
Lake Reidsville	239,700
Lake Hunt	<u>11,400</u>
Sub-total	\$1,639,500

Reidsville Downtown Corporation Fund Expenses \$28,000

Combined Enterprise Fund

Water Administration	\$979,900
Meter Reading	216,200
Water Plant	2,094,600
Water Distribution System	1,092,650
Park Ranger	79,850
Sewer Administration	852,600
Waste Water Treatment Plant	2,535,250
Sewer Collection System	578,400
Plants Maintenance	<u>793,950</u>
Sub-total	\$9,223,400

Police Separation Trust Fund \$169,750

Internal Service (Garage) Fund \$571,300

Insurance Reserve Fund \$417,200

Less Interfund Transfers (\$4,238,500)

Total \$24,368,300

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- Section 3.** There is hereby levied a tax at the rate of \$.74 per one hundred dollar (\$100) valuation of property as listed as of January 1, 2018 for the purpose of raising the revenue listed as “2018 Property Taxes” in the General Fund revenues of this ordinance. This rate is based on an estimated total valuation of property for the purpose of taxation of \$1,159,808,293 and an estimated collection rate of 98.63%.
- Section 4.** There is hereby levied a special tax on the property in the downtown tax district of \$.25 per one hundred dollar (\$100) valuation for the purposes of revenue listed as “MSD Property Taxes” in the General Fund revenues of this ordinance.
- Section 5.** The water rates charged will be increased by 3% effective July 1, 2018.
- Section 6.** The sewer rates charged will be increased by 3% effective July 1, 2018.
- Section 7.** The monthly landfill tipping fee will increase by 4.67% (\$.25 for monthly residential bills) to offset an anticipated increase by the Rockingham County Landfill.
- Section 8.** The City Manager, as chief administrative officer and as budget officer, shall be authorized to carry out the activities as approved in this adopted annual budget in accordance with all applicable state and local laws, ordinances and regulations.

Adopted this the 12th day of June, 2018.

John M. “Jay” Donecker
Mayor

ATTEST:

Angela G. Stadler, CMC/NCCMC
City Clerk