

Memorandum

To: Honorable Mayor and City Council

From: Brad Corcoran, City Manager

Date: April 10, 2012

Re: Budget Message For Fiscal Year 2012-2013

On behalf of the City of Eden staff, I am pleased to present to you the fiscal plan for FY 2012-2013. The budget is in balance and has been prepared in accordance with the guidelines set forth in the Local Government Budget and Fiscal Control Act (N.C.G.S. Chapter 159, Article III).

Balancing this budget has been a very long and arduous task which has resulted in a document which continues to meet the City's basic needs in the critical service areas and addresses a few of the various capital improvement needs currently facing the City. The budget does not, however, provide all of the funds necessary for the capital needs within the City of Eden.

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Budget Highlights

- The combined budgets for fiscal year 2012-13 equals \$27,752,400 which is a reduction of \$2,302,700 or approximately 7.66% when compared to the adopted combined budgets for FY 2011-12 which equal \$30,055,100.

The combined budgets for the last twelve years are as follows:

FY 2012-13	\$27,752,400	FY 2006-07	\$34,593,000
FY 2011-12	\$30,055,100	FY 2005-06	\$33,234,900
FY 2010-11	\$24,840,600	FY 2004-05	\$24,616,300
FY 2009-10	\$24,662,200	FY 2003-04	\$24,249,100
FY 2008-09	\$26,375,400	FY 2002-03	\$23,273,100
FY 2007-08	\$37,989,200	FY 2001-02	\$24,793,400

- The FY 2012-13 budget **does not** increase the current tax rate of \$0.609 per \$100 assessed property valuation. A comparison of the existing tax rates currently being charged by surrounding governmental entities is as follows:

Eden	\$ 0.609	Rockingham County	\$ 0.698
Madison	\$ 0.73	Stoneville	\$ 0.67
Mayodan	\$ 0.58	Wentworth	Not Applicable
Reidsville	\$ 0.71		

- On February 25, 2012 the City Council met for its annual budget/planning retreat. According to the priorities submitted by the Mayor and members of City Council there were several items listed by a majority of the Mayor/Council members and/or discussed during the course of the retreat for inclusion in the FY 2012-13 budget. These include:

- A. Economic Development, Job Creation, Local Business Support & Mega Park Project
- B. Water & Sewer Infrastructure Improvement Projects
- C. Expansion of Greenway System
- D. Continued Emphasis on Beautification and Litter Control
- E. Entrance Sign Project

- F. Creation of Youth Council
- G. City Seal Project

It should be noted that these priorities helped to serve as a financial blueprint during the preparation of the budget for FY 2012-13 and funding has been included to pursue each of these identified priorities.

- **A further** breakdown of the FY 2012-13 budget indicates the following:

<u>Summary (Funds)</u>	<u>FY 2012-13 Budget</u>
General	\$13,976,100
Water & Sewer	\$11,099,000
Self Insurance	\$ 2,309,400
Police Pension	\$ 159,500
Emergency Communications	\$ 181,200
Runabout Travel	\$ 18,600
Municipal Service Tax District	<u>\$ 8,600</u>
	\$27,752,400
Less:	
Inter-fund Transfers	\$ 1,968,900
Appropriated Fund Balances	\$ 3,373,900
Grants/Principal Forgiveness Loans	\$ 896,700
Pass Thru Funds – Ex. Runabout Travel & MSD	\$ 27,200
TOTAL NEW RECURRING REVENUE	\$21,485,700

- The FY 2012-13 budget includes \$1,968,900 in inter-fund transfers (i.e. funds within the budget that are shown as revenue and expenditures in two different locations). These include the following:
 - A. \$1,791,300 shown under Group Insurance and Self Insurance Fund line items within various departmental and division budgets within the General Fund, Water & Sewer Fund and then again within the Self Insurance Fund.

- B. \$159,500 shown under the Separation Allowance line item in the Police Department budget within the General Fund and then again within the Police Pension Fund.
- C. \$18,100 shown under the Emergency Communications Fund and then again within the General Fund.

- The available fund balance budgeted to be utilized during FY 2012-13 is \$3,373,900. It can be broken down as follows:

<u>Fund</u>	<u>FY 2012-13</u>
General	\$ 518,200
Water & Sewer	\$2,544,400
Self Insurance	\$ 98,900
Powell Bill	\$ 162,700
Emergency Communications	\$ 21,800
Occupancy Tax	<u>\$ 27,900</u>
Total	\$3,373,900

The use of \$518,200 in reserve funds from the General Fund is due entirely to the costs associated with large one-time capital outlay initiatives including:

Additional Street Resurfacing Projects	\$ 361,300
Greenway Projects	\$ 81,000
RCC Project	\$ 30,600
Entrance Signs Project	\$ 27,900
RCATS (Rockingham Community Access Transit Services)	\$ 14,000
City Seal Project	<u>\$ 8,400</u>
Total	\$ 523,200

The use of \$2,544,400 in reserve funds from the Water and Sewer Fund is due entirely to the costs associated with large one-time capital outlay initiatives including:

PAX TRS System	\$ 818,000
EPA Administrative Order	\$ 671,500
Waterline Upgrade Projects	\$ 365,000
Long-Term Disinfection Byproducts	\$ 291,000
Mega Park Sewer Line	\$ 281,000
Matrimony Creek Outfall Evaluation	\$ 50,200
Replace Caustic Storage Tank	\$ 34,000
Rebuild Flocculater In Basin 2 At Water Plant	\$ 22,000
Other Capital Outlay Projects for Water Plant	\$ <u>11,700</u>
Total	\$2,544,400

The use of \$98,900 in reserve funds from the Self Insurance Fund is to help offset the projected costs for FY 2012-13.

The use of \$162,700 in reserve funds from the Powell Bill Fund is due entirely to the costs associated with additional street resurfacing projects that need to be undertaken during FY 2012-13.

The use of \$21,800 in reserve funds from the Emergency Communications Fund is due to the need to spend some of the existing reserves on allowable expenses or risk the State 911 Board taking possession of these funds and further reducing our revenue allocations for subsequent years.

The use of \$27,900 in reserve funds from the Occupancy Tax Fund is due to these funds being utilized to pay for half of the total cost associated with the Entrance Signs Replacement Project that was discussed by the City Council during the annual budget/planning retreat on February 25, 2012.

- The FY 2012-13 budget includes \$896,700 in grants/principal forgiveness loans for the following special initiatives:

Police Grant – COPS – Two FT Positions (Final Year of Grant)	\$ 67,700
Reidsville Area Foundation Grant – RCC Project	\$ 20,000
Rural Center Grant - Matrimony Creek	\$ 40,000

Golden Leaf Fund – Industrial Mega Park Sewer Line	\$ <u>769,000</u>
Total	\$ 896,700

- The FY 2012-13 budget includes \$27,200 in pass thru funds (i.e. funds within the budget that are collected by the City from a specific source and then spent by that same source). These include the following:
 - A. \$18,600 within the Runabout Travel Fund. The individuals that participate in the Runabout Travel Club make payments into the fund to cover the expenses related to their various trips. This fund does not include the appropriation of any funds from the taxpayers of Eden.
 - B. \$8,600 within the Municipal Service District Tax Fund. The various property owners within the Municipal Service Tax Districts within Leaksville and Draper pay additional taxes that are placed in this fund to cover specific expenses related to the two downtown areas. A total of \$7,000 is estimated to be received from the Leaksville area and \$1,600 is projected to be received from the Draper area. This fund does not include the appropriation of any funds from the taxpayers of Eden.
- The budget includes \$250,000 in the General Fund as an un-appropriated contingency and \$250,000 in the Water and Sewer Fund as an un-appropriated contingency for unforeseen declines in revenue and/or unanticipated expenditures. This \$500,000 will be added to the appropriate fund balances if not utilized during the upcoming fiscal year. The reasoning behind the allocation of a large contingency balance is due to the fact that the department and division budgets represent the “bare minimum” in anticipated operational expenditures and it’s not unrealistic to believe that additional funds may be needed during the course of the year for unanticipated expenditures such as major vehicle/equipment repairs and/or unforeseen declines in revenue such as sales tax reimbursements that are greatly dependent upon the condition of the economy.
- The FY 2012-13 budget includes a reduction of \$27,400 or 10.51% in the amounts being allocated for Insurance & Bonds Worker’s Compensation (\$260,700 to \$233,300). This reduction is clearly the result of an improved claims history and our ongoing commitment aimed at promoting a safe working environment.
- I am proud to report that our staff has continued to work diligently during the past twelve months to access and secure grants for a variety of initiatives. During the past year we have already been notified of awards equaling \$6,401,200 in grants that do not have to be repaid. Some of the different grants received include a total of \$3,832,200 for six

different water/sewer infrastructure projects, \$850,000 for the Holland Street Community Revitalization Project, \$769,000 for the Mega Park sewer line project, \$600,000 for the Nantucket Mill Project, \$240,000 for the Stone Creek Apartments Housing Development Project, and \$110,000 for the Crosswalks/Landscaping Projects in Olde Leaksville and Draper Village.

- There are four (4) statewide revenues that Eden receives from the State of North Carolina. Each of these are tied directly to and dependent upon economic forces: the Beer and Wine Tax, the Utilities Franchise Tax, the Local Option Sales Taxes, and the Powell Bill. The revenue estimates for FY 2012-13 we received from the North Carolina League of Municipalities are based on preliminary collection figures for the current fiscal year, compared to collections for the same period a year ago, and other economic indicators of future conditions. Figures for the past several years indicate the following:

FY 2007-08 Actual Revenues	\$4,155,102
FY 2008-09 Actual Revenues	\$3,931,959
FY 2009-10 Actual Revenues	\$3,663,484
FY 2010-11 Actual Revenues	\$3,862,263
FY 2011-12 Budgeted Revenues	\$3,823,900
FY 2012-13 Budgeted Revenues	\$3,985,400

The good news is the FY 2012-13 projection of \$3,985,400 is \$123,137 or 3.18% more than the actual collections during FY 2010-11 and \$321,916 or 8.78% more than the actual collections during FY 2009-10. This is a sign that the economy is continuing to improve in relation to these revenue sources. The bad news is that the FY 2012-13 projections still represents a decrease of \$169,702 or 4.08% when compared with the FY 2007-08 actual revenues of \$4,155,102 when the economy was still robust.

- The budget includes an increase of \$59,600 in the amount of revenue that will be received from the annexation in-lieu-of payments within the General Fund (\$623,800 to \$683,400). The ten-year agreements with MillerCoors Brewing Company, Duke Energy, Pillowtex and Parkdale all came to an end during FY 2002-03 (actual collections for that year equaled \$934,423). New ten-year agreements were executed with MillerCoors Brewing Company, Duke Energy and Parkdale. The bankruptcy filing by Pillowtex eliminated their continued participation in the annual payments. During FY 2006-07 Parkdale closed their doors and the agreement was assumed by Thoroughbred Resources, LLC. (A.C. Furniture). New agreements will need to be reached during FY 2012-13 prior to the expiration of the current agreements.

- The actual breakdown for the various departments/divisions within the General Fund are as follows:

<u>Department/Division</u>	<u>FY 2012-13 Budget</u>	<u>FY 2011-12 Budget</u>	<u>Year To Year Change</u>
Governing Board	\$ 82,100	\$ 72,000	\$ 10,100
Administration	273,700	265,000	8,700
Environmental Services	177,200	169,300	7,900
Finance/Human Resources	491,500	465,500	26,000
Economic/Tourism Development	359,600	231,900	127,700
Information Technology	263,900	204,700	59,200
Legal	113,400	112,400	1,000
Police	4,231,400	4,069,100	162,300
Fire	1,652,800	1,463,400	189,400
Engineering	256,400	242,300	14,100
Streets	1,875,300	1,349,500	525,800
Powell Bill	476,000	467,200	8,800
Solid Waste	1,796,300	1,813,400	(17,100)
Planning & Inspections	609,700	577,600	32,100
Parks/Recreation/Facility Maint.	1,187,400	1,117,500	69,900
Public Building Services	80,700	87,000	(6,300)
Fleet Maintenance	401,600	374,500	27,100
Special Appropriation	514,100	359,000	155,100
Contingency	<u>250,000</u>	<u>250,000</u>	<u>0</u>
	\$15,093,100	\$13,691,300	\$1,401,800
W/S Related Costs	- \$ 1,117,000	- \$ 1,023,600	- \$ 93,400
Total	\$13,976,100	\$12,667,700	\$1,308,400

Governing Board: \$72,000 To \$82,100 – (+ \$10,100 or 14.03% increase)

There are two new line items for FY 2012-13. First, there is an allocation of \$4,000 for the creation of the Youth Council that was discussed during the annual budget/planning retreat on February 25, 2012. The committee working on the creation of the Youth Council submitted the request for \$4,000. Second, there is an allocation of \$2,600 for the second year of the Citizens Academy. During the initial year, the costs associated with this initiative were absorbed in the departmental budgets since the Citizen Academy was a new endeavor. Additional increases contained within the budget as submitted include \$700 under Departmental Supplies (\$1,300 to \$2,000), \$800 under Miscellaneous Expense (\$1,700 to \$2,500) and \$1,000 under Dues/Subscriptions (\$18,500 to \$19,500) just to name a few of the specific line item increases. The reimbursement percentage from the Water & Sewer Fund remains unchanged at 50% which means that \$41,100 is included in the Special Appropriations section of the Water & Sewer Fund to help cover a portion of the costs associated with the Governing Board. The Governing Board budget in the General Fund of \$41,000 represents an increase of \$5,000 or 13.88% when compared to the adopted budget for FY 2011-12 which is \$36,000.

Administration: \$265,000 To \$273,700 – (+ \$8,700 or 3.28% increase)

A combined increase of \$8,200 under salaries and benefits is the main reason for the increase within the Administration budget. There is also an increase in spending of \$1,000 under Office Supplies (\$2,500 to \$3,500). Offsetting a portion of these increases is a reduction of \$1,000 under Contracted Services (\$4,000 to \$3,000). The reimbursement percentage from the Water & Sewer Fund remains unchanged at 50% which means that \$136,900 is included in the Special Appropriations section of the Water & Sewer Fund to help cover a portion of the costs associated with the Administration department. The Administration budget in the General Fund of \$136,800 represents an increase of \$4,300 or 3.24% when compared to the adopted budget for FY 2011-12 which is \$132,500.

Environmental Services: \$169,300 To \$177,200 (+ \$7,900 or 4.66% increase)

The main reason for the increase in this departmental budget is the combined increase of \$5,600 under salaries and benefits. In addition, there is an increase of 1,100 under Insurance & Bonds/WC (\$1,300 to \$2,400) and an increase of \$1,500 under Professional Service (\$500 to \$2,000). Offsetting a portion of these increases is a reduction of \$500 under Department Supplies (\$2,500 to \$2,000). The reimbursement percentage from the Water & Sewer Fund remains unchanged at 65% which means that \$115,200 is included in the Special Appropriations section of the Water & Sewer Fund to help cover a portion of the costs associated with the Environmental Services department. The

Environmental Services budget in the General Fund of \$62,000 represents an increase of \$2,800 or 4.72% when compared to the adopted budget for FY 2011-12 which is \$59,200.

Finance & Human Resources: \$465,500 To \$491,500 – (+ \$26,000 or 5.58% increase)

The Finance & Human Resources department will see an increase of \$26,000 in total spending. First, there is an increase of \$11,900 (\$42,300 to \$54,200) under Group Insurance due to adding another person to our group insurance plan. When Ms. Phyllis Church (previous Accounts Payable Clerk) retired with 30 years of service she was allowed to stay on the plan and her replacement was also added to our plan. In addition, the monthly contribution paid by the City per active full-time employee in the budget as submitted has been increased from \$525 per month to \$625 per month. Second, there is an increase of \$2,600 under Wellness Program (\$7,400 to \$10,000) based on actual expenditures from FY 2010-11 which equaled \$9,860. Third, there is an increase of \$3,800 under Contracted Services (\$44,400 to \$48,200) due to an increase of \$3,626 in the costs being charged by Rockingham County for the ad valorem tax collection contract. Fourth, there is a combined increase of \$3,800 under Travel (\$900 to \$2,800) and Training (\$900 to \$2,800) due to continuing education needs/requirements of staff and the fact that we have two new employees. Fifth, there is an increase of \$2,000 under Professional Services (\$39,000 to \$41,000) due primarily to an increase of \$1,700 in the cost of the annual auditing services provided by Rouse, Rouse, Penn and Rouse, L.L.P. (\$33,200 to \$34,900). The reimbursement percentage from the Water & Sewer Fund remains unchanged at 55% which means that \$270,400 is included in the Special Appropriations section of the Water & Sewer Fund to help cover a portion of the costs associated with the Finance & Human Resources department. The Finance and Human Resources budget in the General Fund of \$221,100 represents an increase of \$11,700 or 5.58% when compared to the adopted budget for FY 2011-12 which is \$209,400.

Economic & Tourism Development: \$231,900 To \$359,600 – (+ \$127,700 or 55.06% increase)

The main reason for the increase in this department is the inclusion of three special projects. First, a total of \$50,600 is included under RCC Project (\$0 to \$50,600) for the possible implementation of a fermentation and distillation technologist program in partnership with Rockingham Community College. In the event the City Council decides to proceed and actually purchases a suitable property there is a \$20,000 grant included within the General Fund Revenues that would likely be received from the Reidsville Area Foundation. Second, a total of \$55,800 (\$27,900 General Fund and \$27,900 Occupancy Tax Expenditures) is included for the Entrance Sign Replacement Project that was discussed by the City Council during the annual budget/planning retreat on February 25, 2012. Third, a total of \$8,400 is included under City Seal Project (\$0 to \$8,400) for the development and use of a new city seal. Again, this

project was discussed by the City Council during the annual budget/planning retreat on February 25, 2012. Furthermore, there is an increase of \$34,900 under Occupancy Tax Expenditures (\$36,200 to \$71,100). A total of \$27,900 will be used for the Entrance Sign Project discussed previously and the remaining \$7,000 will be used to fund other tourism/promotional related expenses. Finally, there are four revenue line items that are contained in the General Fund revenue spreadsheet that are related to this department. First, as discussed previously, there is \$20,000 under Contribution from Reidsville Area Foundation to assist with the purchase of a building for the RCC Project if the City Council decides to proceed. Second, the line item Due from Rockingham County/Occupancy Tax includes a total of \$67,200 in projected revenue and the line item Fund Balance Appropriated – Occupancy Tax includes a total of \$27,900 for a combined total of \$95,100. A portion of these funds will be used to offset the \$71,100 in various Occupancy Tax related expenditures with the remaining funds (\$24,000) being utilized to pay a portion of the salary and benefits associated with the Coordinator of Tourism and Special Events position. Finally, the line item Donations & Fees Pottery Festival includes a total of \$6,000 in projected revenue to help offset the costs associated with the annual Pottery Festival. The Economic and Tourism Development budget of \$359,600 represents an increase of \$127,700 or 55.06% when compared to the adopted budget for FY 2011-12 which was \$231,900.

Information Technology: \$204,700 To \$263,900 – (+ \$59,200 or 28.92% increase)

There are a variety of increases in funding that account for the overall increase in this divisional budget. First, there is an increase in the number of full-time equivalent positions assigned to this department from one employee to two employees. In the current FY 2011-12 budget a total of \$9,000 was included under Salaries/Part-Time. Those funds have been eliminated and \$28,284 in funds has been added to Salaries for the hiring of an additional full-time employee. In July of 2006 the City hired its current Information Technology and Communications Manager. At that point in time the City had 76 computers and 11 servers. During the next few years the Police Department updated its Computer-Aided Dispatch (CAD) system and Records Management Software (RMS) while adding laptops to all patrol vehicles. These initiatives resulted in the City growing from 76 to 106 computers and from 11 to 13 servers. A comparison of like-sized communities, not counting those with contracted services, indicates that the average number of full-time employees in the IT Department is 2. The closest community to us geographically (Reidsville), has 2 full-time IT personnel in their IT Department and one IT/Support person employed within their Police Department. Percent of IT FTE's as a percent of total employees is another way to determine if IT staffing levels are adequate. Gartner's IT Metrics: IT Spending and Staff Report 2011, page 53, figure 33, shows State and Local Government with an average of 3.5% IT FTE's as a percent of total employees. Our current percentage is 0.5% IT FTE's allowing for 180 employees. If we pause to only consider positions, not actual employee count, that use a

computer as part of their job duties, that percentage is 1.05% IT FTE's as a percentage of total positions. In order to continue to maintain our existing systems, as well as ensure that our IT Department is able to continue to meet future IT needs the budget as submitted converts the current part-time position to a full-time position that will report directly to the Information Technology and Communications Manager. Due to the addition of an additional full-time equivalent position all of the benefits related line items have increased as well. Second, there is an increase of \$10,200 under C/O Equipment – Depreciated from (\$0 to \$10,200) and an increase of \$5,400 under Contracted Services (\$600 to \$6,000) for the virtualization of our finance server as well as the exchange server, police CAD and RMS servers into a single physical server. The current finance server is now five years old and out of warranty. Best practices dictate that servers be replaced every five years at the most. Rather than replacing the finance server with another physical box, the IT department recommends making the move to server virtualization. Server virtualization reduces server sprawl, overall power consumption, and maintenance overheads. Indeed, it has become the new standard for data centers both large and small. Third, there is an increase of \$15,000 under C/O Equipment – Non-Depreciated for three projects: Mobile Data Terminal (MDT) replacements (3 year plan) for the Police Department @ \$7,500, PC Replacements (4 year plan) @ \$11,000 and IP Phones @ \$5,250 for the replacement of the existing 1995 phone system at City Hall. The current Executone IDS phone system reached end-of-life in 1997 and Executone as a company went out of business in 2001. In fact, parts are no longer manufactured for our phone system. Fourth, there is an increase of \$4,900 under Software License Fees (\$50,900 to \$55,800). The reason for this increase is the \$5,050 expense associated with the maintenance of the Automated Meter Reading (AMR) System. Offsetting a small portion of these increases is a reduction of \$5,300 under Computer Lease (\$12,300 to \$7,000). It should also be noted that \$8,000 will be transferred to the General Fund from the Emergency Communications Fund as a reimbursement back to the General Fund for costs related to services being provided by the IT Manager. Within the General Fund revenues there is a line item entitled, Contribution from Emergency Communications Fund which shows the reimbursement of these funds from the Emergency Communications Fund. The reimbursement percentage from the Water & Sewer Fund remains unchanged at 50% which means that \$131,600 is included in the Special Appropriations section of the Water & Sewer Fund to help cover a portion of the costs associated with the Information Technology department. The Information Technology budget in the General Fund of \$132,300 represents an increase of \$30,000 or 29.32% when compared to the adopted budget for FY 2011-12 which is \$102,300.

Legal: \$112,400 To \$113,400 – (+ \$1,000 or 0.88% increase)

In January 2009, the City transitioned from a City Attorney who served the City on a contractual basis for a limited amount of work each month to a full-time Staff/City Attorney who now serves the City Council, staff and citizens on a full-time basis. The departmental budget as submitted for FY 2012-13 includes a very small increase when

compared to the funds allocated for the current fiscal year. While expenses for salaries and benefits increased there was a reduction of \$3,000 under Professional Services (\$6,000 to \$3,000) which offset most of the other increases. The reimbursement percentage from the Water & Sewer Fund remains unchanged at 50% which means that \$56,700 is included in the Special Appropriations section of the Water & Sewer Fund to help cover a portion of the costs associated with the Legal department. The Legal budget in the General Fund of \$56,700 represents a slight increase of \$500 or 0.88% when compared to the adopted budget for FY 2011-12 which was \$56,200.

Police: \$4,069,100 To \$4,231,400 – (+ \$162,300 or 3.98% increase)

In FY 2008-09 the City submitted a grant application for four additional Police Officers (2 Patrol Officers and 2 Narcotics Officers) through the Community Oriented Policing Services (COPS) Hiring Grants Program which is a component of the American Recovery And Reinvestment Act Of 2009. During FY 2009-10 the City was awarded funding for the two Patrol Officer positions. The grant covers 100% of the salaries and benefits associated with the additional officers for a period of three years. A total of \$67,700 is included in the General Fund revenues under line item 10-3431-81000 Police Grant – COPS Grant to offset the anticipated costs for the remaining months of the grant in FY 2012-13. The increase in spending within the Police Department is due to a couple of factors. First, there is a combined increase of \$58,400 under Principal (\$58,600 to \$108,500) and Interest (\$9,600 to \$15,900) for the purchase of fourteen vehicles. These funds represent year one of a six year financing plan through a local bank. In addition, every effort will be made to purchase these vehicles locally if we can get a bid price that is competitive with the state contract price. Mr. Tommy Carter, Superintendent of Fleet Maintenance prepares an annual listing of vehicles/equipment that he feels is in need of being replaced and the vehicles scheduled for replacement are consistent with the recommendations I received from Mr. Carter. We have not purchased any vehicles for several years and the replacement plan calls for the replacement of an additional vehicle in FY 2013-14 and twelve additional units in FY 2014-15. Second, there is an increase of \$11,000 under C/O Equipment Non-Depreciated (\$0 to \$11,000) for the replacement of seven (7) police radars. Third, there is an increase of \$9,900 under Miscellaneous Expense (\$2,600 to \$12,500) due to the tax, tags and fees associated with the new vehicles. Fourth, there is an increase of \$53,000 or 2.43% under Salaries (\$2,178,200 to \$2,231,200) as a result of the 3% increase unanimously approved by the members of City Council on February 25, 2012 and automatic service promotions based on length of service and training hours. Fifth, there is an increase of \$13,000 under Overtime (\$27,000 to \$40,000) due to our dispatchers being reduced from six employees down to five. Due to the upcoming communications center consolidation, we are not going to hire anyone to fill this vacancy which means we will need some additional money available for overtime. Sixth, there is an increase of \$48,000 under Group Insurance (\$501,600 to \$549,600) due to the monthly health insurance contribution rate for full-time employees being increased from \$525 per month to \$625 per month in the

budget as submitted. Seventh, there is an increase of \$25,000 under Auto/Gas (\$116,000 to \$141,000) due to the escalating price of gasoline. Offsetting a portion of the increases is a reduction of \$46,600 under Separation Allowance (\$206,100 to \$159,500) due to less retirees being eligible for this payment. There is also a reduction of \$5,100 under M/R Vehicles (\$55,100 to \$50,000) due to several of the older vehicles being replaced. Finally, there is a reduction of \$25,000 under C/O Equipment Depreciated (\$25,000 to \$0) due to nothing being budgeted for in this line item for FY 2012-13. The Police budget of \$4,231,400 represents an increase of \$162,300 or 3.98% when compared to the adopted budget for FY 2011-12 which was \$4,069,100.

Fire: \$1,463,400 To \$1,652,800 – (+ \$189,400 or 12.94% increase)

The budget for the Fire department will experience an increase in FY 2012-13 due to a variety of factors. First, there is a combined increase of \$43,700 under Principal (\$69,900 to \$114,900) and Interest (\$13,500 to \$12,200) as a result of a combined allocation of \$45,900 for the first of five payments that would be due on the refurbishing of Engine 4 and the replacement of the Squad Truck. Engine 4 is a 1995 model KME Custom Cab truck which makes it 17 years old. We have experienced extensive problems with this vehicle for some time now. Although the total cost to refurbish Engine 4 is estimated to cost \$151,000 it is still much cheaper than purchasing a new Engine that would cost over \$400,000. The Squad Truck currently being utilized by the Fire Department is not big enough to pull the Fire Life Safety House. However, it would be a very suitable replacement for 13W that is currently being utilized by the Collection and Distribution Department. 13W is a 1996 Dodge 3500 that has approximately 129,888 miles and is recommended for replacement this year by Mr. Tommy Carter, Superintendent of Fleet Maintenance. The Squad Truck has less than 18,000 miles on it and Mr. Mark Bullins, Superintendent of Collection and Distribution has said it would be a good replacement for 13W. The new Squad Truck will also have an open bed so the Fire Department can find a skid unit to place on it in order to fight brush fires as needed. The refurbishing of Engine 4 and the purchase of a new Squad Truck for the Fire Department combined with the replacement of 13W in the Collection and Distribution Department due to the transferring of the existing Squad Truck has been recommended by Mr. Tommy Carter, Superintendent of Fleet Maintenance. Second, there is an increase of \$64,800 under C/O Equipment Depreciated (\$10,000 to \$74,800) for the replacement of the generators at Stations 2 and 3. At Station 2 we have an old army surplus generator which is not capable of running the entire building. There is a community room downstairs and this could be used as a shelter in the event of a disaster occurring. It is also used at times as a homeless shelter during the winter months. At Station 3 we also have an old army surplus generator that is currently not capable of doing everything we would like it to do. In addition, we need to add the Facility Maintenance building to this package so they have an emergency back-up plan as needed. According to Mr. Tommy Underwood, Fire Chief both of these generators are constantly giving staff serious mechanical issues and are no longer reliable in the

event of an emergency. Third, there is an increase of \$18,000 under C/O Equipment Non-Depreciated (\$5,000 to \$23,000) for the replacement of protective turn-out gear and confined space equipment. Fourth, there is an increase of \$11,600 under C/O Building Improvement (\$0 to \$11,600) for the construction and erection of a new training tower at Station 4. The training tower currently located at Station 3 is approaching 40 years old and is in extremely poor condition. In fact, we do not allow any training to be conducted on this tower due to our concerns with safety. Due to its central location and meeting room we currently do all of our training at Station 4. Mr. Paul Dishmon, Superintendent of Facility Maintenance has recommended that we tear down the existing training tower at Station 3 and replace it with a new one at Station 4. Fifth, there is an increase of \$5,000 under M/R Building (\$6,000 to \$11,000) based on actual expenditures for this line item year-to-date and in past fiscal years. The Fire budget of \$1,652,800 represents an increase of \$189,400 or 12.94% when compared to the adopted budget for FY 2011-12 which is \$1,463,400.

Engineering: \$242,300 To \$256,400 – (+ \$14,100 or 5.81% increase)

The Engineering department budget will experience an increase in FY 2012-13 due to a couple of reasons. First, there is an increase of \$9,000 under C/O Equipment Depreciable (\$0 to \$9,000) for the replacement of the Trimble Pathfinder ProXR/TSC1 Handheld GPS Unit that was purchased in 2001. Although the device is still functional the software associated with this unit is no longer compatible with the updated and newer computer operating systems and the latest field software which greatly enhances accuracy. The replacement unit we plan to purchase is the Trimble GeoExplorer 6000 Series Geo HX Handheld GPS Unit. This unit brings together the essential functionality for high accuracy field work and delivers real-time decimeter (4 inch) accuracy positioning, high quality photo capture, and integrated internet connectivity options. Second, there are increases in salaries and benefits as noted under the specific line items. Some of the reductions included in the departmental budget as submitted includes \$1,500 under Professional Service (\$3,500 to \$2,000), \$200 under Department Supplies (\$800 to \$600), and \$200 under M/R Vehicles (\$1,400 to \$1,200). The reimbursement percentage from the Water & Sewer Fund remains unchanged at 75% which means that \$192,300 is included in the Special Appropriations section of the Water & Sewer Fund to help cover a portion of the costs associated with the Engineering department. The Engineering budget in the General Fund of \$64,100 represents an increase of \$3,600 or 5.95% when compared to the adopted budget for FY 2011-12 which is \$60,500.

Streets: \$1,349,500 To \$1,875,300 – (+ \$525,800 or 38.96% increase)

The projected increase in the Streets Department is due to an increase of \$528,000 under C/O Improvements (\$0 to \$528,000) for additional street resurfacing (\$524,000) and fifty percent of the cost associated with a new waste oil heater (\$4,000) for the new shed that will be built at Public Works due to the other one being ruined in a heavy wind-storm. During the past couple of months Ms. Tammy Amos, Engineering Projects Manager has conducted an extensive evaluation of every city street within the City of Eden. According to Ms. Amos, the overall condition of our network of city streets is getting very close to a critical level. As you know, the streets are on a 15 year resurfacing schedule. In order to stay on schedule we have to resurface 7 miles of streets each year. Unfortunately, the astronomical increase of asphalt prices over the past few years has prevented us from being able to stretch our Powell Bill resurfacing funds far enough which in turn has caused us to fall short of meeting our self-imposed minimum requirement for annual street resurfacing. Currently, we have 50 street sections (8.99 miles) that Ms. Amos has rated to be in poor or very poor condition. The Powell Bill allocation included in the budget as submitted of \$476,000 is not nearly enough to do what we feel is in need of being done. As such, the additional \$524,000 has been included here in the Street Department to help us meet this immediate need. Offsetting a portion of this additional cost is the use of \$162,700 from the Powell Bill fund balance. These funds are included in the General Fund revenues as submitted. Some of the other increases included in the Street Department budget as submitted includes an increase of \$11,000 under Auto/Gas (\$59,000 to \$70,000) due to the escalating prices associated with gasoline and diesel fuel and an increase of \$11,200 under Lights For City Streets (\$274,500 to \$285,700) based on actual costs for FY 2010-11 which equaled \$285,695. Offsetting a portion of the increases is a reduction of \$21,300 under C/O Lease Principal (\$44,200 to \$22,900) due to some items being paid off during FY 2011-12. The Streets budget of \$1,875,300 represents an increase of \$525,800 or 38.96% when compared to the adopted budget for FY 2011-12 which is \$1,349,500.

Powell Bill: \$467,200 To \$476,000 – (+ \$8,800 or 1.88% increase)

The Powell Bill funds scheduled to be spent are increasing by \$8,800 due to the City receiving more funds from the State of North Carolina that are designated for this purpose. According to the state-aid revenue projections we received from the State of North Carolina the \$476,000 in identified expenses matches identically to the projected revenue we anticipate receiving from the State of North Carolina (\$476,000). The Powell Bill budget of \$476,000 represents an increase of \$8,800 or 1.88% when compared to the adopted budget for FY 2011-12 which is \$467,200.

Solid Waste: \$1,813,400 To \$1,796,300 – (- \$17,100 or 0.94% decrease)

The main reason for the reduction in this department is due to a combined decrease of \$52,100 under C/O Lease Principal (\$149,700 to \$107,000) and C/O Lease Interest (\$18,200 to \$8,800) due to items being paid off during FY 2011-12. However, there is a new item that has been added to these two line items for FY 2012-13. A combined total of \$27,600 has been included for the first of five lease/purchase payments (\$25,000 Principal and \$2,600 Interest) for the replacement of 27G a 1994 Chevrolet Kodiak Chassis Knuckle Boom Truck that currently has approximately 335,492 miles on it. The replacement of this truck is being recommended by Mr. Tommy Carter, Superintendent of Fleet Maintenance due to the crane and body floor being worn out and ongoing mechanical issues with the chassis. Second, there is a decrease of \$5,000 under M/R Vehicles (\$95,000 to \$90,000) based on actual expenditures during the past several years. Third, there is a decrease of \$6,300 under Contract/Commercial (\$441,300 to \$435,000) based on actual costs for the past several years. Offsetting some of these reductions in spending are normal increases associated with salaries and benefits as well as an increase of \$8,500 under C/O Building Improvement (\$0 to \$8,500) for the construction of an additional 100 feet to be added to the block retaining wall at the recycling center on Mebane Bridge Road. The roadbed is being pushed out under the fence because of the weight of the trucks that back in on this road to unload the recycling materials. There is also an increase of \$21,000 under Auto/Gas (\$105,000 to \$126,000) due to the escalating gas and diesel fuel prices. The Solid Waste budget of \$1,796,300 represents a decrease of \$17,100 or 0.94% when compared to the adopted budget for FY 2011-12 which is \$1,813,400.

Planning & Inspections: \$577,600 To \$609,700 – (+ \$32,100 or 5.55% increase)

There are a variety of reasons for the increase associated with this budget. First, there is an increase of \$9,000 under Landscaping Supplies (\$3,000 to \$12,000) due to the Planning and Inspections department handling all of the landscaping needs and annual contract previously awarded to a private contractor. Doing this work in house has saved the taxpayers money and the complaints from citizens have been drastically reduced. Second, there is an increase of \$8,800 under Auto/Gas (\$7,000 to \$15,800) due to rising gas prices and the vehicles being operated for the maintenance/clean-up/landscaping needs. Third, there is an increase of \$2,800 under C/O Lease Principal for the replacement of the color copier/printer used by the department that is several years old and in need of being replaced according to Ms. Kelly Stultz, Director of Planning and Inspections. Fourth, there is an increase of \$2,500 under C/O Building Improvements (\$0 to \$2,500) for the purchase of a shed at Public Works to house the Dump Truck and other equipment being used by the community appearance team. Fifth, there is an increase in the costs associated with salaries and benefits. Offsetting some of the increases are reductions of \$6,000 under Professional Services (\$16,300

to \$10,000) and \$10,000 under Contracted Services (\$30,000 to \$20,000). Both of these reductions is due to the fact that the community appearance team is handling projects in-house that were previously contracted out and/or required professional services. There is also a reduction of \$900 under Insurance & Bonds/WC (\$5,600 to \$4,700) based on estimates provided by our insurance carrier at the North Carolina League of Municipalities. Finally, due to the GIS services being provided by the Department of Planning and Inspections the budget as submitted includes a reimbursement from the Emergency Communications Fund equal to \$9,700 and a reimbursement from the Water and Sewer Fund equal to \$16,100 to compensate for the GIS services being provided to these two funds. The reimbursement amount from the Water & Sewer Fund equals \$16,100 as noted above which means that \$16,100 is included in the Special Appropriations section of the Water & Sewer Fund to help cover a portion of the costs associated with the GIS services being provided by the Planning and Inspections department. The Planning & Inspections budget of \$593,600 represents an increase of \$16,000 or 2.77% when compared to the adopted budget for FY 2011-12 which is \$577,600.

Parks, Recreation & Facility Maintenance: \$1,117,500 To \$1,187,400 – (+ \$69,900 or 6.25% decrease)

The increase in the Parks, Recreation & Facility Maintenance departmental budget is due to a variety of different factors. First, there is an increase of \$14,300 under M/R Building (\$70,000 to \$84,300) for a variety of different needs as outlined in the departmental budget such as the sealing of the walking track at Freedom Park (\$4,000), the replacement of some windows at the Bridge Street recreational facility (\$2,300) and various additional repairs at Freedom Park (\$5,000) to name a few. Second, there is an increase of \$30,000 under C/O Land Improvements (\$0 to \$30,000) for the installation of safety netting at the three baseball/softball fields at Freedom Park. Third, there is an increase of \$10,400 under C/O Equipment Non-Depreciated (\$0 to \$10,400) for the purchase of a trailer for the portable fencing at Freedom Park (\$1,500), the replacement of the 1994 core plugger that's used to plant grass (\$3,100) and the purchase of some pool furniture (\$5,775) for the Draper Swimming Pool. Fourth, there is an increase of \$10,400 under C/O Building Improvement (\$12,300 to \$22,700) for the replacement of the roof at the Boone Road Community Center (\$17,000) and the replacement of the gymnasium doors at the Bridge Street recreational facility (\$5,700). Fifth, there are increases within the salaries and benefits line items as previously noted in other department summaries. Sixth, there is an increase of \$4,500 under Contracted Services (\$12,500 to \$17,000) based on actual expenditures from FY 2010-11 which equaled \$17,022. Seventh, there is an increase of \$5,500 under Auto/Gas (\$18,000 to \$23,500) due to the escalating increases in gas prices. Offsetting a portion of these increases is a combined reduction of \$25,000 under Principal (\$47,700 to \$24,700) and Interest (\$2,400 to \$400) for the Freedom Park Loan. The payments that will be made during FY 2012-13 will be the final payments for this loan. Additionally, there is a reduction of \$1,300 under Uniforms/Laundry (\$4,000 to \$2,700) based on actual

expenditures during the course of the past two years. The Parks, Recreation & Facility Maintenance budget of \$1,187,400 represents an increase of \$69,900 or 6.25% when compared to the adopted budget for FY 2011-12 which is \$1,117,500.

Public Building Services: \$87,000 To \$80,700 – (- \$6,300 or 7.24% decrease)

This department was created during FY 2003-04 at the request of the City's independent Auditing firm of Rouse, Rouse, Penn and Rouse, L.L.P. The costs within this department are those costs that are associated with the provision of basic telephone, electric and gas services to the City Hall. The Telephone line item is projected to remain unchanged at \$7,000. The Utilities line item is projected to decrease by \$3,600 (\$60,000 to \$56,400) and the Utilities/Gas line item is projected to decrease by \$2,700 (\$20,000 to \$17,300). The reimbursement percentage from the Water & Sewer Fund remains unchanged at 20% which means that \$16,100 is included in the Special Appropriations section of the Water & Sewer Fund to help cover a portion of the costs associated with the Public Building Services department. The Public Building Services budget in the General Fund of \$64,600 represents a decrease of \$5,000 or 7.18% when compared to the adopted budget for FY 2011-12 which is \$69,600.

Fleet Maintenance: \$374,500 To \$401,600 – (+ \$27,100 or 7.23% increase)

There are a couple of reasons why the Fleet Maintenance division budget is being increased for FY 2012-13. First, there is an increase of \$17,400 under C/O Equipment Depreciated (\$0 to \$17,400) for the replacement of the complete compressed air system in the shop that has been in service since 1978. The compressed air system is a vital part of any garage. We have all types of air tools such as impact wrenches; oil pumps as well as the in ground lift that works off compressed air. We currently have several air leaks especially in the overhead lines and we're getting a lot of moisture in the system which severely damages the air operated equipment if not corrected. Second, there is an increase of \$2,900 under Contracted Services (\$4,500 to \$7,400) based on actual expenditures for FY 2010-11 which equaled \$7,394. Third, there is an increase of \$900 under Auto/Gas (\$3,700 to \$4,600) due to the higher gas prices. Fourth, there are increases associated with salaries and benefits. Offsetting a portion of these increases is a reduction of \$7,000 under C/O Land Improvements (\$7,000 to \$0), \$1,000 under M/R Building (\$3,500 to \$2,500) and \$1,300 under Auto/Tires (\$1,800 to \$500) to name a few. The reimbursement percentage from the Water & Sewer Fund remains unchanged at 35% which means that \$140,600 is included in the Special Appropriations section of the Water & Sewer Fund to help cover a portion of the costs associated with the Fleet Maintenance department. The Fleet Maintenance budget in the General Fund of \$261,000 represents an increase of \$17,600 or 7.23% when compared to the adopted budget for FY 2011-12 which is \$243,400.

Special Appropriations: \$359,000 To \$514,100 – (+ \$155,100 or 43.20% increase)

There are several reasons for the increase within this budget. First there is a new line item (10-9920-69840) entitled Special Appropriation - Greenway which includes an allocation of \$81,000 for five different enhancements to the City's greenway system as discussed during the annual budget/planning retreat on February 25, 2012. Second there is another new line item (10-9920-69850) entitled Special Appropriation – RCATS Transportation which includes an allocation of \$14,000 in support of the bus transit system that will be implemented within the City of Eden by the Rockingham Community Access Transit Services (RCATS). Third, there is an increase of \$69,300 under Performance/Incentive Agreements (\$96,700 to \$166,000) due to new payments associated with the 2011 Weil McLain agreement (\$4,445.64) and the 2010 Gildan Agreement (\$91,661). Fourth, there is an increase of \$18,600 under Special Appropriation Contribution – Salary Adjustments (\$6,400 to \$25,000) for salary adjustments that may be warranted during FY 2012-13 in accordance with the provisions outlined in the City Code. Fifth, there is an increase of \$12,300 under Principal – Debt Service – 2008 (\$70,300 to \$82,600) due to a higher payment being set for FY 2012-13. Offsetting a portion of these increases is a reduction of \$23,100 under COE/RCC/Goodwill Training Center (\$66,100 to \$43,000) due to the fact that the facility is now operational and there is no need for additional improvements to the building. There is also a reduction of \$14,000 under Special Appropriation Contribution – Elections (\$14,000 to \$0) since there is no municipal election scheduled to take place during FY 2012-13. The Special Appropriations budget of \$514,100 represents an increase of \$155,100 or 43.20% when compared to the adopted budget for FY 2011-12 which is \$359,000.

Contingency: \$250,000 To \$250,000 – (Unchanged)

The amount allocated as a contingency within the General Fund is remaining unchanged at \$250,000 for FY 2012-13. This money will be set aside and only utilized in the event of unexpected/needed expenditures and/or unanticipated declines in revenues.

- The actual breakdown for the various departments/divisions within the Water & Sewer Fund are as follows:

<u>Department/Division</u>	<u>FY 2012-13 Budget</u>	<u>FY 2011-12 Budget</u>	<u>Year To Year Change</u>
Water Resources	\$ 350,400	\$ 338,200	\$ 12,200
Billing & Collections	335,800	1,637,600	(1,301,800)
Water Plant	2,372,600	1,364,200	1,008,400
Collection & Distribution	1,489,200	1,449,900	39,300
Wastewater Treatment	1,127,000	1,300,900	(173,900)
Water Construction	365,000	300,000	65,000
Sewer Construction	1,811,700	5,894,700	(4,083,000)
Special Appropriation	2,997,300	2,426,000	571,300
Contingency	<u>250,000</u>	<u>250,000</u>	<u>0</u>
	\$11,099,000	\$14,961,500	\$(3,862,500)

Water Resources: \$338,200 To \$350,400 – (+ \$12,200 or 3.60% increase)

The Water Resources departmental budget will increase during FY 2012-13. First, there is an increase of \$4,300 under Overtime (\$4,000 to \$8,300) based on actual expenditures for FY 2010-11 which equaled \$8,159. Second, there are increases associated with salaries and benefits as outlined previously in other departmental budgets. Third, there is an increase of \$1,300 under Auto/Gas (\$5,000 to \$6,300) due to the escalating gas prices. Fourth, there is an increase of \$200 under Property Insurance/Bonds (\$5,500 to \$5,700) based on our renewal rates for FY 2012-13. Offsetting a portion of these increases are reductions of \$800 in Department Supplies (\$3,800 to \$3,000), \$800 in Small Tools (\$2,300 to \$1,500) and \$800 in Insurance and Bonds/WC (\$5,500 to \$4,700). The Water Resources budget of \$350,400 represents an increase of \$12,200 or 3.60% when compared to the adopted budget for FY 2011-12 which is \$338,200.

Billing & Collections: \$1,637,600 To \$335,800 – (- \$1,301,800 or 79.49% decrease)

The decrease in the Billing & Collections division budget is due to the anticipated completion of the Automated Meter Reading (AMR) system project. You will note that the C/O Equipment – Depreciated line item has been

reduced by \$1,249,800 (\$1,249,800 to \$0) and the C/O Equipment Non-Depreciated line item has been reduced by \$10,000 (\$10,000 to \$0). Both of these line items were related to the implementation of the AMR system. Additionally, there is a reduction of \$37,400 in Salaries (\$182,800 to \$145,400) due to the fact that two of the three meter reading positions is scheduled to be eliminated by December 31, 2012. There are also additional reductions in various fringe benefit line items as a result of this change. Offsetting a portion of these reductions are some slight increases of \$700 under B/C Credit Card Charges (\$12,800 to \$13,500), \$400 under Truck/Parts (\$4,600 to \$5,000) and \$3,000 under Salaries – Temporary (\$11,000 to \$14,000) for the costs associated with the part-time assistance that is currently being utilized on a regular basis for billing/collections assistance. The Billing & Collections budget of \$335,800 represents a decrease of \$1,301,800 or 79.49% when compared to the adopted budget for FY 2011-12 which is \$1,637,600.

Water Filtration Plant: \$1,364,200 To \$2,372,600 – (+ \$1,008,400 or 73.91% increase)

The main reason for the increase in the Water Filtration Plant budget is due to large capital outlay projects. The budget as submitted includes an increase of \$997,400 under C/O Equipment Depreciated (\$185,800 to \$1,183,200) for the following six projects/initiatives:

Compliance Study/Long-Term Disinfection Byproducts	\$291,000
Installation of PAX TRS System	\$818,000
Replacement of Caustic Storage Tank	\$ 34,000
Rebuild Flocculater In Basin 2	\$ 22,000
Wash Out Clearwell	\$ 6,000
Replace Chemical Feed Pump	\$ 5,700
Other Items As May Be Needed	<u>\$ 6,500</u>
Total	\$1,183,200

Second, there is an increase of \$4,200 under M/R Equipment (\$43,000 to \$ 47,200) based on projected expenditures for FY 2011-12 and actual expenditures during the course of the past couple of years. Third, there are increases related to salaries and benefits as outlined in previous departmental budgets. Fourth, there is an increase of \$6,500 under C/O Building Improvements (\$0 to \$6,500) for the replacement of the window frames and glass at the Water Plant that have been in place since 1979. Several of the existing frames are rusting out and in need of replacement. They will be replaced with a new aluminum framing that will be 2” x 4 ½” clear anodized thermally broken with 1” low-e tempered insulated glass. Finally, there is an increase of \$16,600 under Professional Services (\$26,400 to

\$43,000) due to lead and copper monitoring, the information collection rule and increases associated with many of the other detailed services as outlined in the departmental budget. Offsetting a portion of these increases is a reduction of \$21,800 under Chemicals (\$300,000 to \$278,200) based on projected needs during FY 2012-13. The Water Filtration Plant budget of \$2,372,600 represents an increase of \$1,008,400 or 73.91% when compared to the adopted budget for FY 2011-12 which is \$1,364,200.

Collection & Distribution: \$1,449,900 To \$1,489,200 – (+ \$39,300 or 2.71% decrease)

The Collection & Distribution budget will be increasing by \$39,300 in FY 2012-13 due to a variety of factors some of which include the following: First, there is an increase of \$18,000 under C/O Building Improvements (\$0 to \$18,000) for the replacement of the roof on the Meter Shop at Public Works (\$5,000), fifty percent of the cost associated with the purchase of a waste oil heater (\$4,000) for the new shelter facility that will be built due to the previous one being ruined in a severe wind-storm and the installation of gates and fencing (\$9,000) at ten different entry locations to the Matrimony Creek Sanitary Sewer Outfall in order to prohibit unauthorized people from driving 4-wheel-drive vehicles on the Matrimony Creek Outfall. Second, there is an increase of \$40,000 under M/R Equipment (\$60,000 to \$100,000) due to projected expenditures during the current fiscal year. Third, there is an increase of \$11,600 under M/R Collection (\$45,300 to \$56,900) due to projected expenditures during the current fiscal year. Fourth, there are increases associated with salaries and benefits. Offsetting many of these increases is a combined decrease of \$42,200 under Principal (\$101,400 to \$62,100) and Interest (\$7,100 to \$4,200). In addition, there is a reduction of \$20,000 under Mission Telemetry (\$21,000 to \$1,000) as well as a reduction of \$10,600 under M/R Taps (\$40,000 to \$29,400). The Collection & Distribution budget of \$1,489,200 represents an increase of \$39,300 or 2.71% when compared to the adopted budget for FY 2011-12 which is \$1,449,900.

Wastewater Treatment: \$1,300,900 To \$1,127,000 – (- \$173,900 or 13.36% increase)

The Wastewater Treatment budget will be decreasing by \$173,900 in FY 2012-13 due primarily to a reduction of \$180,900 under C/O Equipment Depreciated (\$211,500 to \$30,600) due to a reduction in capital improvement projects. There is also a reduction of \$5,000 under Utilities/Electric (\$130,000 to \$125,000) based on projected expenses for the remainder of FY 2011-12 and a reduction of \$1,400 under Insurance and Bonds/WC (\$15,400 to \$14,000). Offsetting a portion of these reductions in spending are increases of \$4,100 under C/O Equipment Non-Depreciated (\$0 to \$4,100) for the replacement of both an influent and effluent flow meter. Some of the additional increases include \$2,600 under Auto/Gas (\$4,200 to \$6,800), \$1,000 under Professional Services (\$37,500 to \$38,500) and \$500 under M/R Building (\$4,500 to \$5,000). The Wastewater Treatment budget of \$1,127,000

represents a decrease of \$173,900 or 13.36% when compared to the adopted budget for FY 2011-12 which is \$1,300,900.

Water Construction: \$300,000 To \$365,000 – (+ \$65,000 or 21.66% increase)

The Water Construction budget will increase in FY 2012-13 due to the costs associated with the eight included projects when compared with the six projects included for funding in FY 2011-12. The specific projects being included for funding in FY 2012-13 include the following:

Lawson Street Project – 250 ft. of 6” WL	\$ 20,000
Price Street Project – 925 ft. of 6” WL	\$ 80,000
Coleman Street Project – 1,015 ft. of 6” WL	\$ 91,000
Danview Lane/Dodge Street Project – 315 ft. of 6” WL & 235 ft. of 2” PVC WL	\$ 31,000
Front Street/Fieldcrest Road Project – 740 ft. of 2” PVC WL and Relocated Taps/Meters	\$ 60,000
Automatic Flushing Device Installations – Installation of 8-10 Flushing Devices	\$ 28,000
Rose Street Project – 700 ft. of 2” PVC	\$ 30,000
Water Model Study & Calibration – Review and Calibration of Distribution System Model	<u>\$ 25,000</u>
Total	\$365,000

The Water Construction budget of \$365,000 represents an increase of \$65,000 or 21.66% when compared to the adopted budget for FY 2011-12 which is \$300,000.

Sewer Construction: \$5,894,700 To \$1,811,700 – (- \$4,083,000 or 69.25% decrease)

The Sewer Construction budget will experience a dramatic decrease in FY 2012-13 due to a variety of Capital Outlay Infrastructure Improvement Projects being financed and paid for over a period of years rather than as a lump-sum payment. Reductions in the budget as submitted include:

Northern Smith River Phases 2 & 3	\$1,757,300 to \$0
Dry Creek Sewer Basin Phase 2	\$1,187,400 to \$0
East Kuder Street Phase 3	\$1,000,000 to \$0

The debt service payments on each of these projects that will be due during FY 2012-13 are included under the Special Appropriations budget within the Water and Sewer Fund. Additional reductions include \$150,000 under the Sewer Fix It Program (\$150,000 to \$0) and \$750,000 under the Sewer Line – Mega Park line item (\$1,800,000 to \$1,050,000). Offsetting \$769,000 of the costs associated with the Mega Park project is a grant that the City will receive from the Golden Leaf Foundation.

Increases equaling \$821,500 in spending within the Sewer Construction department budget includes:

EPA Administrative Order – S/C Professional Services (Additional Funds Will Be Needed In Future)	\$ 671,500
Matrimony Creek Outfall Evaluation (A \$40,000 Grant Will Offset A Portion Of This Cost)	<u>\$ 150,000</u>
Total	\$ 821,500

Again, it should be noted that the budget as submitted includes \$809,000 (or 44.65% of the total Sewer Construction budget of \$1,811,700) in grant funds to offset a significant portion of the capital outlay costs outlined above. The Sewer Construction budget of \$1,811,700 represents a decrease of \$4,083,000 or 69.25% when compared to the adopted budget for FY 2011-12 which is \$5,894,700.

Special Appropriation: \$2,426,000 To \$2,997,300 – (+ \$571,300 or 23.54% increase)

The increase in the Special Appropriation section of the Water & Sewer Fund budget is due to a variety of different factors. First, there is a combined increase of \$167,500 under Principal – CWSRF Kuder Street Phase 3 (\$0 to \$97,500) and Interest – CWSRF Kuder Street Phase 3 (\$0 to \$70,000) for the first of twenty debt service payments associated with this project. Second, there is a combined increase of \$199,000 under Principal – CWSRF Tanyard Branch (\$0 to \$115,700) and Interest – CWSRF Tanyard Branch (\$0 to \$83,300) for the first of twenty debt service payments associated with this project. Third, there is a combined increase of \$107,400 for Principal and Interest payments (\$1,365,700 to \$1,473,100) associated with the five projects that had debt service payments in FY 2011-12. These include: Debt Service – 2007, Debt Service – 2008, Clean Water Loan, CWMT N. Smith River Phase 3 and CWSRF Dry Creek Phase 2. Fourth, there is an increase of \$93,900 under Contribution To General Fund – Administrative Charges (\$1,023,600 to \$1,117,000) to offset the cost of services provided to the Water and Sewer Fund from the General Fund. Finally, there is an increase of \$4,000 under Special Appropriation – Future Salary Adjustments (\$8,000 to \$12,000) for salary adjustments that may be warranted during FY 2012-13 in accordance with the provisions outlined in the City Code. The Special Appropriations allocation of \$2,997,300 represents an increase of \$571,300 or 23.54% when compared to the adopted budget for FY 2011-12 which is \$2,426,000.

Contingency: \$250,000 To \$250,000 – (Unchanged)

The amount allocated as a contingency within the Water & Sewer Fund is remaining unchanged at \$250,000 for FY 2012-13. This money will be set aside and only utilized in the event of unexpected/needed expenditures and/or unanticipated declines in revenues.

- Similar to previous year's, the FY 2012-13 budget document includes a Five Year Capital Outlay Program in an effort to facilitate improvements in the City's long-term budgeting and planning process as well as to improve the flow of communication concerning those projects and equipment needs that will be facing the City over the next five years. The five year \$42,540,800 (excluding many of the recommendations previously set forth in the Comprehensive Water & Sewer Master Plan) program has been based on the "physical needs" of the City as identified by the appropriate department/division head. A detailed justification sheet on each item contained within the Five Year Capital Outlay Program is being maintained by the respective department/division head.
- The FY 2012-13 budget includes \$16,500 under General Fund revenues in anticipation of a fixed assets sale once the vehicle and equipment purchases have been made and the existing stock declared surplus.
- The FY 2012-13 budget includes the necessary funding to continue supporting the City's membership in a variety of organizations including: National League of Cities (\$1,489), North Carolina League of Municipalities (\$11,112), Institute of Government (\$1,686), Piedmont Triad Regional Council (\$3,416), and Piedmont Triad Partnership (\$1,000).
- The FY 2012-13 budget includes the necessary funding to continue supporting a number of community-wide organizations and events including: Rockingham County Arts Council (\$2,000), Eden Library (\$2,600), Eden Chamber of Commerce (\$10,000), Eden Rescue Squad (\$12,000), Riverfest (\$5,000), Ribfest (\$4,000), Pottery Festival (\$2,000), Eden Historical Museum (\$3,600) and July 4th Celebration (\$5,000).
- The budget as submitted includes \$14,000 for the Rockingham Community Access Transit System (RCATS) to help get the service launched within the City of Eden.

- During the past couple of months Ms. Tammy Amos, Engineering Projects Manager has conducted an extensive evaluation of every city street within the City of Eden. What she found is very alarming and discouraging considering the other major needs that have been mandated in our water and sewer systems. According to Ms. Amos, the overall condition of our network of city streets is getting very close to a critical level. The City has 603 paved street sections (104 miles) in the city's street system. As you know, the streets are on a 15 year resurfacing schedule. In order to stay on schedule we have to resurface 7 miles of streets each year. Due to the astronomical increase of asphalt prices over the past few years, we have not been able to stretch our Powell Bill resurfacing funds far enough and therefore; we've been unable to meet the self-imposed minimum requirement which has caused us to fall behind on our resurfacing plan. We currently have 101 street sections (18.66 miles) that are 15 years old or older and are overdue to be resurfaced. Furthermore, we have 50 street sections (8.99 miles) that Ms. Amos has rated to be in poor or very poor condition. Of those 50 street sections, 16 are in poor condition due to excessive patching due to water leaks, water and sewer upgrades or pavement failure. The other 34 street sections are in poor condition because they are well overdue to be resurfaced. Below is a breakdown of the ratings including the number of street sections for each rating and an overall percentage of the city's system:

<u>Condition</u>	<u>Sections</u>	<u>Mileage</u>	<u>Percentage/System</u>
Very Poor (VP)	3	.56	less than 1%
Poor (P)	47	8.43	8%
Fair (F)	378	67.82	65%
Good (G)	131	19.07	18%
Very Good (VG)	44	8.12	8%

As you can see, a high percentage of the city's system is in fair condition. Our concern is that some of the street sections in the fair category will begin to deteriorate very quickly because of their age. The Powell Bill allocation included in the budget as submitted of \$476,000 is not nearly enough to do what we feel is in need of being done. As such, an additional \$524,000 has been included in the Street Department budget under C/O Improvements. Keep in mind; even if we resurface the street sections in poor or very poor condition, we are still 68 street sections behind on our targeted 15 year resurfacing plan which means there is still a great need. In order to stay on schedule and maintain the 15 year resurfacing plan we will have to get back to resurfacing 7 miles or +/- 94,000 square yards of city streets every year. Otherwise, we will fall further behind. Based on current prices we've estimated that we will need approximately \$900,000 a year to meet our resurfacing schedule goal. Even with the annual Powell Bill

allocation, it appears we will need an additional \$425,000 each year for the foreseeable future to have enough funding to complete the minimum requirements.

- The budget includes an allocation of \$38,900 to the Partnership For Economic & Tourism Development in order to continue the City's support of enhanced marketing, tourism development and industrial recruitment/retention efforts. This is based on Eden's 2010 census population of 15,527 @ a per capita contribution rate of \$2.50.
- The Tax and Service Rates section of the FY 2012-13 budget outlines all of the Tax and Service Rates for the upcoming year. Any rates recommended as a change have been highlighted in **BOLD** for your review and consideration.
- The budget as submitted includes an allocation of \$50,600 for the implementation of a fermentation and distillation technologist program in partnership with Rockingham Community College. Research has shown that many communities, particularly those in rural areas of the country, are seeking to reinvent themselves by seeking collaborative ventures with educational institutions. Examples include Siler City, NC and Reidsville, NC. During the past few months RCC has proposed starting a fermentation and distillation technology program in the Olde Leaksville downtown area. The program would focus on mead making, craft beer brewing, small scale hops growing and processing and a class to start your own winery, brewery or meadery. Dr. Michael Helmick, President of RCC has met with representatives of MillerCoors who support this venture. Specifically, RCC needs an approximate 1,200 square foot building to house the program. The property at 649 Washington Street has been identified as a viable site that has had many systems upgraded in the recent past. There are two options available concerning this property:

Option 1 – Building Lease

Deposit	\$ 500
Rent: \$500/month	\$ 6,000 annually
Upgrades (bathroom, wall removal, flooring, painting)	\$10,000
Security System	<u>\$ 600</u>
Total Projected City Cost FY 2012-13 Budget:	\$17,100

Option 2 – Building Purchase

Building Cost	\$40,000 negotiable
Upgrades (bathroom, wall removal, flooring, painting)	\$10,000
Security System	<u>\$ 600</u>
Total Projected City Cost FY 2012-13 Budget:	\$50,600
	Minus
Note: Reidsville Area Foundation Grant (anticipated if property purchased)	<u>\$20,000</u>
Total Projected City Cost FY 2012-13 Budget:	\$30,600

The FY 2012-13 budget as submitted provides sufficient funds for either option. Once the City Council has an opportunity to give formal consideration to this proposal and makes a final decision staff will proceed accordingly. In the event the City Council decides **not** to proceed with either option then these funds will not be spent during FY 2012-13. If the City Council decides to proceed with this partnership it is anticipated that the program would be in place by January 2013.

- During the February 25, 2012 annual budget/planning retreat the City Council discussed the feasibility of replacing the entrance signs for the City of Eden. Conceptual diagrams of the proposed signs were presented and it was the consensus that staff should proceed and include this project for Council’s formal consideration in the FY 2012-13 budget. The budget as submitted includes an allocation of \$27,900 from the General Fund and an allocation of \$27,000 from the existing fund balance within the Transient Occupancy Tax account for this purpose.
- During the February 25, 2012 annual budget/planning retreat the City Council discussed the feasibility of replacing the official City Seal for the City of Eden. Conceptual diagrams of various proposals were presented and it was the consensus that staff should proceed and include this project for Council’s formal consideration in the FY 2012-13 budget. The budget as submitted includes an allocation of \$8,400 from the General Fund for this purpose.
- During the February 26, 2011 annual budget/planning retreat Mayor Pro-Tem Tuggle and Councilman Burnette made a presentation about the possibility of establishing a partnership with Goodwill Industries and Rockingham Community College for the development of a jobs training center here in Eden. The facility officially opened for business on October 31, 2011 and has been doing a great job at assisting many of our citizen’s with their personal needs. The budget as submitted includes \$43,000 for the City’s on-going commitment to the training center.

- Powell Bill revenues received from the State of North Carolina for street maintenance purposes has reflected the following over the course of the past several years:

FY 2007-08	\$583,057
FY 2008-09	\$518,605
FY 2009-10	\$459,035
FY 2010-11	\$472,611
FY 2011-12	\$476,211
FY 2012-13 – Projected	\$476,000

- A slight reduction (based on current trends) in both residential and commercial development will translate into reduced revenue for the City in FY 2012-13 compared to actual receipts for FY 2010-11. Obviously, it’s impossible to predict what will or will not transpire during the course of the year as indicated by the spike that occurred during FY 2009-10. The actual revenue received from Building Permits, Plumbing Permits, Mechanical Permits, Sign Permits and Electrical Permits for the past several years reflects the following:

FY 2007-08	\$ 91,963
FY 2008-09	\$ 72,769
FY 2009-10	\$176,181
FY 2010-11	\$ 87,896
FY 2011-12 – Budgeted	\$ 83,100
FY 2012-13 – Projected	\$ 76,600

- There is a new line item (10-9920-69840) entitled Special Appropriation – Greenway with the General Fund Special Appropriations budget which includes an allocation of \$81,000 for five different enhancements to the City’s greenway system as discussed during the annual budget/planning retreat on February 25, 2012. These include:

Greenway to Kings Highway Connector	\$ 1,950
Indian Hills Trails	\$ 3,500
Morehead/Holmes/Central Connector Trail	\$ 7,171
Leaksville Historic District	\$ 3,640
Draper Loop	<u>\$64,665</u>
Total	\$80,926

- At this point in time, it's recommended that the present property tax rate of \$ 0.609 per one hundred dollars of assessed property valuation remain unchanged for FY 2012-13. The tax revenue projections for the upcoming year are based on the total amount of the projected levy for property excluding registered motor vehicles (\$5,112,000) and the actual collection rate (98.09%) for the fiscal year ending June 30, 2011. At a collection rate of 98.09% it is anticipated that \$5,014,400 will be collected during FY 2012-13. This translates to approximately \$82,338 per penny of tax rate.
- Interest rates on our investments throughout the different funds has tanked over the course of the past several years as the economy has continued to weaken. Despite some changes in our cash management practices designed to maximize our potential investment interest it is projected that our interest income in FY 2012-13 will only be a combined \$54,900. This is \$690,087 or 92.63% less than our actual collections during FY 2007-08 which equaled \$744,987, despite the fact that there is more money in the bank earning interest today as compared to FY 2007-08.
- Gasoline prices are currently in the process of escalating on seemingly a daily basis. According to Mr. Tommy Carter, Superintendent of Fleet Maintenance, he is projecting an average price (the cost we actually pay after our discounts) of \$4.03 per gallon for gasoline and \$4.02 per gallon for diesel fuel. Based on actual usage figures for the past twelve months we have estimated that we will need an additional allocation of \$91,800 for FY 2012-13 compared to the total allocated for the purchase of fuel in the current budget which equals \$395,100. The total amount of money being budgeted for gasoline has been increased by \$91,800 (\$395,100 to \$486,900) or 23.23% for FY 2012-13. A breakdown of the actual costs incurred for the past several years is as follows:

<u>Fiscal Year</u>	<u>Actual Expenditures Or Budget Request</u>
FY 2002-03	\$156,162 – Actual Expenditures
FY 2003-04	\$180,441 – Actual Expenditures
FY 2004-05	\$210,584 – Actual Expenditures
FY 2005-06	\$279,609 – Actual Expenditures
FY 2006-07	\$278,733 – Actual Expenditures
FY 2007-08	\$369,761 – Actual Expenditures
FY 2008-09	\$323,486 – Actual Expenditures
FY 2009-10	\$268,664 – Actual Expenditures
FY 2010-11	\$360,619 – Actual Expenditures
FY 2011-12	\$395,100 – Amount In FY 2011-12 Budget

- The Emergency Communications Fund budget equals a total of \$181,200. It includes \$133,100 under lease payments for the communications equipment that was approved by the City Council during FY 2007-08. It also includes \$28,000 for monthly line maintenance and support fees for the 911 phone system and database as well as the monthly network charges associated with the telephone lines used by the 911 system and the various computers that the dispatchers utilize on a daily basis. The budget also includes an allocation of \$18,100 as a reimbursement to the General Fund for costs related to the provision of professional services on the emergency communications infrastructure by the City's IT Manager and the City's GIS staff Manager. Finally, the budget includes \$2,000 under professional services for services as needed.
- A total of \$64,300 (Police Department \$50,100 and Fire Department \$14,200) has been included in the FY 2012-13 budget for the third year payments associated with a five-year lease purchase agreement for the acquisition of the radios and related equipment associated with the new radios that are compatible with the 800 MHz Viper (Voice Interoperability Plan For Emergency Responders) Communication System recently installed throughout Rockingham County. Interoperable communications was identified in the General Assembly's Criminal Justice Information Network report of 1995 as a critical need for public safety agencies when responding to emergencies. The ability of public safety agencies to talk to one another via radio communication systems – to exchange voice and/or data with one another on demand, in real time, when needed is an absolute necessity. All of the VIPER communication towers are interconnected, their coverage overlaps each other and they have multiple backup systems.
- During the past couple of years the City has lost nearly 1,000 jobs and approximately \$3,993,691 in net water/sewer revenue per year from the closing of just three industries: Parkdale Mills (11-01-06), Liberty Textiles (07-31-07) and HanesBrand (02-05-09). Liberty Textiles and HanesBrand moved their operations out of the United States. This has had a devastating impact on our economy as well as the revenue side of the City's Water & Sewer Fund. Unfortunately, when we lose large water and/or sewer customers the amount of expenditures we are capable of eliminating is extremely limited. The City's buildings, facilities and infrastructure are still in place and require essentially the same amount of resources to operate and maintain them on a daily basis. The current water and sewer rate structure **does not** generate sufficient funds to fund on-going capital improvement needs on a pay as you go basis.

- The current water and sewer rates being charged remain low when compared to rates being charged in other communities throughout the State of North Carolina as well as the Commonwealth of Virginia. The information below is based on a customer living within the city limits using 5,000 gallons per month and represents the current amounts being paid in Eden, as well as the most recent statewide averages for the State of North Carolina and the Commonwealth of Virginia:

<u>Community</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Eden	\$20.76	\$21.25	\$42.01
N.C. Average As Of March 1, 2012	\$28.02	\$33.50	\$61.52
Virginia Average As Of July 1, 2011	\$25.70	\$32.88	\$58.58

It's very important to remember that one of the requirements in seeking future grant funds for water and sewer infrastructure improvement projects is whether or not our water and sewer rates are in compliance with the High Unit Cost (HUC) requirement of 1.5% of the Median Household Income for a residential customer using 5,000 gallons per month. Many different funding agencies, such as the Clean Water Management Trust Fund (CWMTF), have this requirement as a condition of receiving funding. According to Mr. Don Evans, NCDENR Construction Grants and Loans Section (CGLS), the HUC for Eden is currently \$41.12 and changes on an annual basis. You will note that this is actually \$0.89 less than our current rates of \$42.01 which became effective on January 1, 2010.

- Previously, the City Council took action to implement a plan designed to recoup the water/sewer revenue losses being experienced due to the closing of HanesBrand, Inc. In Mayodan, the City Council had to take immediate action when Unifi closed and they voted to raise their existing utility rates in excess of 100% because they simply had no other option. During the course of the next couple of years, our water and sewer rates will be increased on an incremental basis at regular intervals as previously approved by the City Council. The next scheduled increase is not set to take place until January 1, 2013. Additional increases of \$7.38 per month for the average (inside corporate limits) residential customer using 5,000 gallons of water and sewer each month are currently scheduled to take place on January 1, 2014 and July 1, 2014. Obviously, this schedule can be modified again in the future if we are fortunate

enough to attract new large water and/or sewer customers. At the present time the following is still scheduled to be implemented:

<u>Water</u>	<u>Current</u>	<u>Increase January 1, 2013</u>	<u>Increase January 1, 2014</u>	<u>Increase July 1, 2014</u>
Basic charge \$/Month	\$ 7.31	\$ 8.15	\$ 8.99	\$ 9.83
Consumption Charge \$/1,000 Gallons	\$ 2.69	\$ 3.21	\$ 3.73	\$ 4.25
Average Water Bill/5,000 Gallons	\$20.76	\$24.20	\$27.64	\$31.08
<u>Sewer</u>				
Basic charge \$/Month	\$ 5.60	\$ 6.64	\$ 7.68	\$ 8.72
Consumption Charge \$/1,000 Gallons	\$ 3.13	\$ 3.71	\$ 4.29	\$ 4.87
Average Water Bill/5,000 Gallons	\$21.25	\$25.19	\$29.13	\$33.07
<u>Combined Total</u>				
Average Monthly Water & Sewer Bill	\$42.01	\$49.39	\$56.77	\$64.15
Average Annual Water & Sewer Bill	\$504.12	\$592.68	\$681.24	\$769.80
	\$ Change/Month	\$ 7.38	\$ 7.38	\$ 7.38
	\$ Change/Year	\$88.56	\$88.56	\$88.56
	% Change	17.6%	14.9%	13.0%

NOTE: *Outside corporate limit rates are 100% higher*

- The budget includes the following funds to pay for the debt service related to the 2007 \$7,500,000 loan for Water & Sewer Fund projects, the 2008 \$6,875,755 loan for Water & Sewer Fund projects, the 2008 \$1,228,000 loan for General Fund projects, the 2009 \$357,151 Clean Water Loan, the 2012 \$1,957,584 (\$1,242,200 principal forgiveness) Northern Smith River Phase 3 loan, the 2012 \$1,187,410 (\$500,000 principal forgiveness) Dry Creek Phase 2 loan, and the 2012 \$2,545,342 (\$1,000,000 principal forgiveness) Kuder Street Phase 3 loan and the 2012 \$3,031,949 (\$1,000,000 principal forgiveness) Tanyard Branch loan. A breakdown of these payment looks as follows:

<u>Category</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total Payment</u>
2007 \$7,500,000 Loan (W/S)	\$456,900	\$207,000	\$663,900
2008 \$6,875,755 Loan (W/S)	\$418,200	\$168,900	\$587,100
2009 \$1,228,000 Loan (G/F)	\$ 82,600	\$ 33,400	\$116,000
2009 \$ 357,151 Loan (W/S)	\$ 15,600	\$ 0	\$ 15,600
2012 \$1,957,584 Loan (W/S)	\$ 74,700	\$ 53,800	\$128,500
2012 \$1,187,410 Loan (W/S)	\$ 45,300	\$ 32,700	\$ 78,000
2012 \$2,545,342 Loan (W/S)	\$ 97,500	\$ 70,000	\$167,500
2012 \$3,031,949 Loan (W/S)	<u>\$115,700</u>	<u>\$ 83,300</u>	<u>\$199,000</u>
Total	\$1,306,500	\$649,100	\$1,955,600

- The budget includes \$28,700 for the City's obligations in reference to the water and sewer extension policy. This is the same amount that is included in the current FY 2011-12. The water and sewer extension policy provides that the City will participate in the extension of these services for up to 100% of the cost for industrial development, up to 75% of the cost for commercial development and up to 50% of the cost for residential development. The agreements to be paid during FY 2012-13 include:

<u>Company</u>	<u>Amount Due In FY 2012-13</u>
Osborne Company/Harris Point Apartments (Payment 4 of 5)	\$ 14,466
Osborne Company/Pierce Street & Shopping Center (Payment 5 of 5)	<u>\$ 14,157</u>
Total	\$ 28,623

- The Special Appropriations budget within the General Fund budget includes \$166,000 to pay for the City’s obligations in reference to performance agreements with local industries. This is an increase of \$69,300 or 71.66% from the amount (\$96,700) that was allocated for FY 2011-12. The reason for the increase is the addition of two new payments as outlined below. Like most cities and counties in North Carolina, the City of Eden has undertaken various performance agreements with local industries. N.C.G.S. 158-7.1 sets out the type of activities that cities and counties can engage in as it relates to economic development. Existing incentive payments based upon specific performance criteria due to be paid during FY 2012-13 include:

<u>Company</u>	<u>Amount Due In FY 2012-13</u>
Loparex – 2007 – Phase II Payment 4 of 4	\$ 7,980.00
Loparex – 2009 – Payment 2 of 6	\$54,119.39
Weil McLain – 2007 – Payment 4 of 4	\$ 7,752.00
Weil McLain – 2011 – Payment 1 of 3	\$ 4,445.64
Gildan – 2010 – Payment 1 of 4	<u>\$91,661.00</u>
Total	\$165,958.03

- The FY 2012-13 budget as submitted does not include any funds for a cost-of-living allowance pay increase or a performance based merit pay increase.
- The budget as submitted includes an increase in the number of full-time equivalent positions assigned to the Information Technology department from one employee to two employees. In the current FY 2011-12 budget a total of \$9,000 was included under Salaries/Part-Time. Those funds have been eliminated and \$28,284 in funds has been added to Salaries for the hiring of an additional full-time employee. In July of 2006 the City hired its current Information Technology and Communications Manager. At that point in time the City had 76 computers and 11 servers. During the next few years the Police Department updated its Computer-Aided Dispatch (CAD) system and Records Management Software (RMS) while adding mobile data terminal (MDT) laptops to all patrol vehicles. These initiatives resulted in the City growing from 76 to 106 computers and from 11 to 13 servers. A comparison of like-sized communities, not counting those with contracted services, indicates that the average number of full-time employees in the IT Department is 2. The closest community to us geographically (Reidsville), has 2 full-time IT personnel in their IT Department and one IT/Support person employed within their Police Department. The percent of IT FTE’s as a percent of total employees is another way to determine if IT staffing levels are adequate. Gartner’s IT Metrics: IT Spending and Staff Report 2011, page 53, figure 33, shows State and Local Government with an

average of 3.5% IT FTE's as a percent of total employees. Our current percentage is 0.5% IT FTE's allowing for 180 employees. If we pause to only consider positions, not actual employee count, that use a computer as part of their job duties, that percentage is 1.05% IT FTE's as a percentage of total positions. In order to continue to maintain our existing systems, as well as ensure that our IT Department is able to continue to meet future IT needs the budget as submitted converts the current part-time position to a full-time position that will report directly to the Information Technology and Communications Manager.

- On July 1, 1995, the City of Eden began its self-insured insurance coverage program. The City carries a reinsurance policy for payment on all specific claims in excess of \$50,000 once the one-time aggregating specific corridor of \$100,000 has been met (increased from \$75,000 during FY 2011-12 to \$100,000 during FY 2012-13 to help reduce the total expected liability). Once the one-time aggregating specific corridor has been met the excess above \$50,000 claimed on any individual is reimbursed to the City by the reinsurance carrier unless the reinsurance carrier has assigned a pre-determined laser on a specific individual due to an existing condition and/or previous claims history.

According to the City's audit for the year ending June 30, 2011 the retained earnings within the Self Insurance Fund is equal to \$220,399. The total expenditures for FY 2010-11 equaled \$2,117,229 (actual claims = \$1,648,061) compared to a total of \$1,948,697 (actual claims = \$1,521,394) for FY 2009-10. The total revenues for FY 2010-11 equaled \$2,050,604 compared to a total of \$2,057,300 for FY 2009-10. The numbers that were provided to us by our health insurance consultants indicate expected costs in FY 2012-13 equal to \$2,309,400 (Fixed Costs = \$458,800 and Projected Claims = \$1,850,600).

The FY 2012-13 budget as submitted increases the monthly health insurance premium contribution rate paid by the City for active full-time equivalent employees (in lieu of a FY 2012-13 pay increase) from \$525 to \$625 and maintains the monthly dental insurance premium contribution rate paid by the City for active full-time equivalent employees at its current level of \$33. This is the same thing that was done during FY 2009-10. In addition, the monthly premiums being paid by the employees and retirees for dependent coverage are remaining unchanged.

Although the annual renewal becomes effective on May 1st of each year the "plan year" for deductibles and stop-loss payments run on a calendar year from January 1 – December 31. Depending on actual claims data for the first several months of FY 2012-13 it may be necessary to increase the deductible/stop-loss limits from \$300 per person and \$900 per family to \$500 per person and \$1,500 per family. If necessary, this would place additional burden on the employees and retirees while reducing the financial burden somewhat on the reinsurance carrier. We have discussed this possibility with our health insurance consultant and are prepared to implement this change if necessary

during FY 2012-13. This strategy is recommended over other cost reducing options since it places the additional burden on those people who actually have claims as opposed to everyone across the board. Those who use it would help pay more for it.

Finally, the life insurance and accidental death insurance coverage rates included within the self insurance fund have remained unchanged in the FY 2012-13 budget.

- The City currently has a policy for the provision of health/dental insurance coverage for those employees retiring with at least twenty years of service. The policy is as follows:
 - At least 20 years of service but less than 25 years – 50% of the monthly cost up to a max of \$275/month
 - At least 25 years of service but less than 30 years – 75% of the monthly cost up to a max of \$412.50/month
 - At least 30 years of service – 100% of the monthly cost up to a max of \$550/month

The monthly premium being paid is based on the rate previously established by the City Council, which is subject to being changed at any time. Currently, the monthly premiums for retirees as well as individuals who retired as the result of a work-related disability is \$625.00 per month for medical insurance coverage and \$33.00 per month for dental insurance coverage. The FY 2012-13 budget does not change these rates for the upcoming fiscal year.

- There are forty-five (45) individuals (decrease of four (4) since last year) who currently participate in the City's health insurance program that are not active full time equivalent (FTE) employees. These include both retirees as well as individuals who retired as the result of a work-related disability or worker's compensation claim. This results in a significant financial commitment on the part of the City since the City is responsible for all of their claims up to a maximum of \$50,000 each. On the other hand, these same individuals dedicated their lives to the service of this City for 20 to 30 years and this is a small way for us to say "thanks for a job well done". Two (2) of these individuals are retirees that retired with at least twenty (20) years but less than twenty-five (25) years of creditable service. Currently, the City pays up to a maximum of \$275 per month for their monthly health/dental insurance premium with the difference being paid by the retiree. Two (2) of these individuals are retirees that retired with at least twenty-five (25) years but less than thirty (30) years of creditable service. Currently, the City pays up to a maximum of \$412.50 per month for their monthly health/dental insurance premium with the difference being paid by the retiree. Thirty-four (34) of these individuals are retirees that retired with at least thirty (30) years of creditable service. Currently, the City pays up to a maximum of \$550 per month for their health/dental insurance coverage with the difference being paid by the retiree. Finally, seven (7) of these individuals have retired as the result of a work-related

disability or worker’s compensation claim. The City currently pays 100 % of their monthly insurance premium. Dependent coverage for all retirees is the responsibility of the retiree. Currently, the City is allocating a total of \$281,088 in annual premiums for the forty-five (45) individuals noted above.

- A copy of the current FY 2011-12 job and classification plan as well as a copy of the FY 2012-13 job and classification plan have been included within the “Personnel” section of the FY 2012-13 budget document for your review and information. You will note that the salary ranges have remained unchanged.
- Several different departments requested additional personnel for FY 2012-13. This includes the following:

Information Technology	1 Position	\$ 28,284 Salary Only
Police Department	1 Position	\$ 35,954 Salary Only
Fire Department	11 Positions	\$316,800 Salaries Only
Planning & Inspections	1 Position	\$ 34,380 Salary Only
Parks, Recreation & Facility Maintenance	1 Position	\$ 22,161 Salary Only
Collection & Distribution	<u>5 Positions</u>	<u>\$130,528 Salaries Only</u>
	Totals	20 Positions
		\$568,107 Salaries Only

Once you factor in costs associated with the benefits for FICA, Retirement, 401K, Group Insurance, Short Term Disability Insurance, Christmas Allowance and Worker’s Compensation (approximately \$271,541) the total cost of these requests comes to \$839,648 which doesn’t include additional costs associated with uniforms, protective clothing/equipment, annual physicals, supplies and other related costs. Unfortunately, the current tax rate, rate structure and annual revenue projections are not sufficient enough to fund these requests. There is no doubt that an increase in taxes and/or service rates would be needed to offset these costs if the City Council wanted to proceed.

The FY 2012-13 budget as submitted does include (as noted previously) funding for the additional employee requested by the Information Technology department due to the reasons explained in detail on pages 41-42 of this budget message. None of the additional requested positions are being recommended for funding during FY 2012-13 due to the existing and ongoing revenue limitations.

- Due to the weakened economy and investment losses in the State’s Retirement System portfolio, the municipalities across North Carolina have been forced to fund a higher percentage of salaries to meet their annual retirement expense obligations. Prior to, and including FY 2009-10 the State only required a contribution of 4.80% for all employees except sworn law enforcement officers who had a contribution rate of 4.86%. In FY 2010-11 those amounts were increased respectively to 6.35% and 6.41% and in FY 2011-12 those rates were increased further to 6.88% and 7.04%. In FY 2012-13 the rates are being decreased to 6.74% for all employees except sworn law enforcement officers which are being decreased to 6.67%. In FY 2010-11 actual expenses equaled \$457,339. In the current FY 2011-12 budget a total of \$487,300 has been allocated to meet our retirement expense obligations. In the FY 2012-13 budget as submitted the total allocation for retirement expenses is equal to \$494,000. This is an increase of \$6,700 or 1.37% compared to the funds allocated for the current fiscal year. Even though the contribution rate decreased for FY 2012-13, the allocation for retirement expense is increasing slightly due to the 3% salary increase that was unanimously approved by the members of City Council on February 25, 2012.
- On March 21, 2005 the Eden City Council voted unanimously to ask Senator Philip E. Berger and former Representative Nelson Cole to introduce special legislation to the North Carolina General Assembly to increase the occupancy tax for all hotels and motels within the City of Eden by three percent (3 %) and have that money directed to the City of Eden for tourism development. The legislation that was ultimately passed included a two percent (2%) tax. A total of \$97,100 (\$67,200 for FY 2012-13 and \$27,900 in fund balance) in both related revenues within the General Fund as well as related expenditures within the Economic & Tourism Development Department of the General Fund has been included in the FY 2012-13 budget.
- The financial reporting standards required by the state and other agencies direct that the \$1,117,000 being used in the Water & Sewer Fund to pay for various expenses included in the General Fund be allocated as an administrative charge to the department providing the service to the Water & Sewer Fund. The \$1,117,000 being allocated for FY 2012-13 is an increase of \$93,400 or 9.12% compared to the \$1,023,600 allocated during FY 2011-12. The administrative charges are allocated to the following departments:

<u>Department</u>	<u>Amount To Be Offset</u>
Governing Board	\$ 41,100
Administration	\$136,900
Environmental Services	\$115,200
Finance & Human Resources	\$270,400

Information Technology	\$131,600
Legal	\$ 56,700
Engineering	\$192,300
Planning	\$ 16,100
Public Building Services	\$ 16,100
Fleet Maintenance	<u>\$140,600</u>
 Total	 \$1,117,000

- Although the deadline for coming into compliance with the EPA’s Disinfection Byproducts Rule is still over a year away, our efforts to achieve compliance must continue to move forward in FY 2012-13 to allow adequate time for making the necessary improvements as needed. A detailed explanation of this project and the impending requirements was delivered during the February 25, 2012 annual budget/planning retreat. Beginning October 1, 2013, regulatory requirements will tighten significantly for the trihalomethanes and haloacetic acids allowed in water that is distributed to customers. Meeting the compliance requirements for these parameters will be challenging and could potentially be very expensive and may require considerable changes in how we treat water as well as engineering and physical changes to our facilities. A total of \$291,000 has been included in the Water Filter Plant budget for our on-going efforts to address this unfunded mandate. If facility improvements are required, it may take up to two years to complete regulatory approval and construction.

Depending on the conclusions of the study, we will adopt the treatment strategies we find in the study or make plans to design and build new processes as the study recommends. If design and construction is needed it will be proposed during FY 2012-13 or the FY 2013-14 budget. If we should go past the October 1, 2013 deadline for compliance, we can be granted additional time into the 2014 calendar year to complete the construction on new processes that are under construction as long as we can show that we have made a concerted effort at coming into compliance. Ultimately, the goal is to identify our course of action to reduce our organic carbon precursors or other solutions that ultimately insure that water delivered at our customer taps is compliant with regulatory levels for trihalomethanes and haloacetic acids.

- Funding is included in the FY 2012-13 budget for the continuation of our program aimed at replacing all of the Chemical Feed Pumps at the Water Filtration Plant to insure we have reliable pumps and that there are no failures in service. These pumps are critical to proper treatment in the dosing of chemicals. We are replacing one pump for each chemical every year until all have been changed out. There are two alum pumps, three caustic pumps, and one

fluoride pump. The Water Filter Plant budget includes \$5,700 for the replacement of one pump. These pumps are extremely reliable and can be rebuilt many times. Unfortunately, the manufacturer no longer offers repair parts for the old (1977) models that we have; as such, when a major part failure occurs the pumps cannot be rebuilt. These are precision industrial metering pumps that deliver a precise amount of chemical per minute and they are controlled by our plant computer. This replacement program is consistent with the requirement to maintain our water system as per the original design specifications and State approvals to construct as referenced in the applicable State regulations. It is anticipated that an additional pump will be replaced in FY 2013-14.

- The Water Filter Plant budget also includes funding for several additional large capital outlay needs. These include:

Compliance Study/Long-Term Disinfection Byproducts (\$291,000) – The Disinfection/Disinfection Byproducts Rule was enacted by the EPA to reduce the formation of trihalomethanes and haloacetic acids. Beginning October 1, 2013, regulatory requirements will tighten significantly for the trihalomethanes and haloacetic acids allowed in water that is distributed to customers. Meeting the compliance requirements for these parameters will be challenging and may require considerable changes in how we treat water as well as engineering and physical changes to our facilities. The funding included in the budget as submitted is for the engineering study to evaluate what needs to be done to insure that we can be compliant.

Installation of PAX TRS System (\$818,000) – The PAX TRS (Trihalomethane Removal System) is designed to aerate the water in our elevated storage tanks. Water nozzles are installed in the top of the tank and the water in the tank is pumped through the nozzles to form a very fine mist inside the tank. A ventilation system is installed at the top of the tank and used to exhaust the fine particles of volatile compounds into the atmosphere outside of the tank. The PAX TRS System is a fully engineered, fully installed solution customized to each tank. This system will help to reduce the amounts of THM's in our tanks, reduce the amount in the water system and what is being distributed to out wholesale customers.

Replace Caustic Storage Tank (\$34,000) – The budget as submitted includes \$34,000 for the replacement of an aging Caustic Storage Tank that was installed with the Water Plant Improvements in 1992. This is an 11,000 gallon bulk chemical tank used to hold caustic (Sodium hydroxide) which is a chemical used in the water treatment process to control pH. These tanks have a service life of 15 to 20 years. Currently, the tank is showing leakage out of weep holes in the insulation jacket indicating tank failure.

Rebuild Flocculater in Basin 2 (\$22,000) – The existing flocculater paddles in Basin 2 are severely corroded and the paddles will fail shortly. The need for compliance with the new and forthcoming regulations increases the need for optimum mixing and coagulation to achieve appropriate detention times and mixing velocity gradients. The total remaining cost for this project will be approximately \$97,000 over a period of four years.

Wash Out Clearwell (\$6,000) – The clearwells have been in operation since the upgrade at the plant was completed in 1992. The older clearwell was cleaned and baffled during the upgrade. The newest clearwell receives the water first and may contain some anthracite and sand that has washed through the filters.

- The Wastewater Treatment Plant budget includes funding for five capital outlay needs. These include:

Replace RAS Pump (\$18,000) – Since the plant upgrade in 1992, all of the other pumps have either been rebuilt or replaced in both the old and new vault. This is the oldest pump in the old vault. It still runs, but it is only pumping half of what the other pumps do.

Replace Lightnin Mixer (\$7,600) – There are two lightnin mixers on site and both were installed during the plant upgrade in 1992. One of the two units has been damaged and is inoperable. The mixers are needed to properly mix the necessary chemicals in the effluent. Replacing the one unit currently out of service will improve our mixing for dechlorination.

Install Variable Frequency Drive (VFD) (\$5,000) – The flows at the plant are never the same from one day to the next, especially during rain events. The return pumps have always run wide open, but during the lower flow periods, they could be throttled down to reduce less sludge to the head of the plant. This would save on operating costs as well as better control the conditions throughout the plant. It could also extend the life of the plant. The return pumps have been operating since their initial installation in 1992 and while VFD's were installed on the pumps at Dry Creek, there was never any VFD's installed at the main plant. The \$5,000 will allow us to install a VFD on one of the return pumps in the newest vault.

Replace Influent Flow Meter (\$3,000) – Our wastewater treatment plant has to report an accurate flow through the plant on a daily basis. We are currently using the influent flow to track this trend and adding all secondary flows to the total to report on our monthly reports as required by our NPDES permit. The existing flow meter has been in place since the plant upgrade in 1992. It is checked and calibrated quarterly to check for accuracy.

Recently, we have noticed some abnormalities in the readings since the flow monitoring has been added and we feel the influent flow meter needs to be replaced.

Replace Effluent Flow Meter (\$1,100) – The flow meter that is in need of being replaced has been in operation since 1992. The meter designated for replacement is no longer operating as it should and is need of being replaced.

- The Runabout Travel Fund is essentially a “pass through” fund and does not involve the appropriation of any funds from the taxpayers of Eden. The FY 2012-13 budget includes \$18,600 in anticipated revenues and \$18,600 in projected expenses related to this fund.
- The Municipal Service District Tax Fund is essentially a “pass through” fund and does not involve the appropriation of any funds from the taxpayers of Eden. The FY 2012-13 budget includes \$8,600 in anticipated revenues (\$7,000 – Leaksville and \$1,600 Draper) and \$8,600 in projected expenses related to this fund.
- The Police Pension Trust Fund accounts for the Law Enforcement Officers Special Separation Allowance. This is a public employee retiree system pension plan that provides retirement benefits to the City’s qualified sworn law enforcement officers. The separation allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The City conducted its annual actuarial study this past year and it indicated a shortfall in funding equal to \$1,381,371 as of December 31, 2010. However, it is very important to note that most municipalities fund the separation allowance on a pay as you go basis which is what we are now doing. The FY 2012-13 budget continues our commitment to this program and includes an allocation of \$159,500 for the Police Pension Trust Fund. This is a decrease of \$46,900 or 22.72% when compared to the amount that was allocated for FY 2011-12 (\$206,400) due to less people being eligible to receive this benefit during FY 2012-13. The funds needed to meet these ongoing payments over the course of the last several years have been as follows:

<u>Year</u>	<u>Funding Level</u>
FY 2006-07 Actual	\$125,576
FY 2007-08 Actual	\$169,924
FY 2008-09 Actual	\$202,591
FY 2009-10 Actual	\$220,146

FY 2010-11 Actual	\$225,200
FY 2011-12 Budgeted	\$206,400
FY 2012-13 Budgeted	\$159,500

It is interesting to note that the amount of money allocated in FY 2001-02 for this purpose was only \$30,000. The increases in funding over the course of the past several years have been necessary due to the large number of police officers who have recently retired and are now drawing a supplemental pay check on a monthly basis.

- In May, 2003 W. K. Dickson & Company, Inc. completed their work on a Comprehensive Water And Wastewater Master Plan. The final product was the result of a two-year effort to provide a plan that maximizes current infrastructure and guides the expansion of the City's public utilities to meet the demand beyond the planning year 2020. As each of you are aware, the plan identified \$93,963,210 in needs through 2020 expressed as a present day cost in 2003, or \$116,391,668 in needs through 2020 expressed as a cost allowing for anticipated inflation. Unfortunately, the water and sewer infrastructure throughout the City was ignored for many years prior to 2001 and much needed capital improvements continued to mount with the passing of each year. The recently completed Special Order by Consent with the NCDENR for sanitary sewer system improvements came at a cost of nearly \$10 million dollars. While some of the needed work to our water and sewer infrastructure has been completed, there remains a significant amount of work still to be completed for many years to come.
- An initial allocation of \$671,500 has been included in the Sewer Construction budget for professional services related to the EPA Administrative Order the City was placed under on January 3, 2012. During the annual budget/planning retreat on February 25, 2012 a detailed power point presentation was given to the members of the City Council concerning the specific requirements that have been included for action. Specifically, a comprehensive amount of study and work has been mandated by the EPA for the Covenant Branch Pump Station Basin, Meadow Greens Pump Station Basin and Bridge Street Pump Station Basin. During the retreat it was noted that the engineering related work to comply with this order will cost an estimated \$1,113,195 over the course of the next three years for flow monitoring, analysis, engineering reports, assessment plans and the development of a Wastewater Collection and Transmission System (WCTS) remediation plan. It was also noted that in October 2011 our consulting engineer, Mr. Mark Fisher, PE of W. K. Dickson and Associates prepared a "what if" scenario with rough cost estimates that equaled roughly \$14,795,000. It was noted that even if we assume the eventual acquisition of a \$2,000,000 grant we would still be faced with financing approximately \$12,795,000. Based on a current interest rate of 2.375% the estimated annual debt service would be \$804,300. If we had 6,520 sewer customers the annual rate increase that would be needed per customer is \$123.36 or a monthly rate increase per customer of \$10.28. Final compliance with

all of the requirements of the administrative order are likely to take five years (2012-2017) to complete according to the EPA but we do have the right to submit a formal request for an extension if needed as long as we can show good cause and a consistent effort at meeting each of the requirements outlined in the administrative order.

- A copy of the large capital outlay requests is included in the large capital outlay section of this document.

Concluding Remarks

Achieving a balanced budget continues to be a difficult task. The tough economic times have required us to make tough decisions in order to preserve a balanced budget. Not all of the projects desired by various City Departments/Divisions were even requested and of those that were requested, some had to be eliminated and/or reduced due to budgetary constraints. Much of our spending is non-discretionary in nature, and the problem is compounded by a State fiscal picture that remains challenging with additional cuts to local government always a possibility.

I have often summarized our existing condition by saying we are facing “a very problematic situation”. On the one hand, we have seen tremendous improvements in our overall financial condition over the course of the past eleven plus years as voiced by representatives of our independent auditing firm of Rouse, Rouse, Penn and Rouse, L. L. P. On the other hand, the amount of new revenue we are generating on an annual basis is barely sufficient enough to cover our annual operating expenses – let alone much needed improvements to our infrastructure, various economic development and quality of life initiatives, numerous capital outlay related projects and future pay raises for our employees.

We have made some significant strides over the course of the last eleven (11) plus years and should be very pleased with our dedication and efforts aimed at improving the long-term financial condition of our City. According to the audited financial statements (prepared by Rouse, Rouse, Penn and Rouse, L.L.P.) for the period ending June 30, 2011 the City of Eden realized the following changes:

- The fund balance in the General Fund increased from \$7,118,856 to \$8,554,160 an increase of \$1,435,304 or 20.16%. According to the audited financial statements for the City of Eden, the total fund balance within the General Fund on June 30, 2000, just prior my arrival as City Manager in February, 2001 was equal to \$4,157,472. By June 30, 2004, our fund balance had grown by \$2,796,533, despite the events and financial impact of September 11, 2001, and was equal to \$6,954,005. As noted

previously, the most recent audited financial statements indicate that the total fund balance within the General Fund on June 30, 2011 was equal to \$8,554,160, an increase of \$4,396,688 or 105.75% since my arrival as City Manager.

- The City Council voted back in 1998-99 to keep an undesignated fund balance, equal to at least three months operating expenses. As such, three months operating expenses would be \$3,103,477 according to the audited statements for the period ending June 30, 2011. The amount undesignated at June 30, 2011 (\$6,800,565) is actually \$3,697,088 over that threshold. According to data from the State Treasurer's Office, the 2010 statewide average for municipalities without electric was 39.14% while the 2010 statewide average for municipalities without electric and with populations ranging from 10,000 to 49,999 was 44.27%. The undesignated fund balance of \$6,800,565 on hand June 30, 2011 equals 54.78% of General Fund expenditures (\$12,413,907) for FY 2010-11. The undesignated fund balance in the General Fund as of June 30, 2000 was \$ 2,541,779. The June 30, 2011 figure of \$6,800,565 represents a total increase of \$4,258,786 or 167.55% in the past eleven years.
- The equity in the Water & Sewer Fund for the period ending June 30, 2011 was \$11,333,437. This is an increase of \$982,041 or 9.49% when compared to the June 30, 2010 total of \$10,351,396. However, it should be noted that this growth is due to the receipt of \$2,721,600 that was received from HanesBrand International on September 2, 2011 for their FY 2010-11 (and final) take-or-pay and capital repayment obligations. Without the \$2,721,600 payment the equity in the Water & Sewer Fund would have realized a reduction of \$1,739,559. The equity in the Water & Sewer Fund as of June 30, 2000 was \$4,890,417. The June 30, 2011 figure of \$11,333,437 represents a total increase of \$6,443,020 or 131.74% in the past eleven years.
- The total liabilities decreased by \$2,140,602 from \$18,270,071 to \$16,129,469 during FY 2010-11. The key factor in this decrease was the reduction in unearned revenue and long-term liabilities. The total liabilities on June 30, 2000 were equal to \$10,992,154. The reason for the \$5,137,315 or 46.73% increase during the course of the past eleven years is the recent loans for a multitude of various infrastructure improvement projects. For example, the recent Special Order by Consent with NCDENR for required sanitary sewer system improvements came at a cost of nearly \$10 million dollars.
- The assets of the City exceeded its liabilities at the close of FY 2010-11 by \$72,356,755 (net assets).

- The total principal debt for the City at June 30, 2011 was \$13,539,971 compared to \$15,051,956 on June 30, 2010, \$15,784,174 on June 30, 2009 and \$17,885,741 on June 30, 2008. This is made up from two numbers, the Governmental Activities debt which is \$1,828,755 and the Water & Sewer debt which is \$11,711,216. The legal debt margin for the City as of June 30, 2011 equaled \$68,020,952. The City's long term debt on June 30, 2000 was equal to \$11,245,827.

Over the past eleven plus years we have worked diligently to improve the long-term financial condition of our City. The challenge going forward however, is to develop a financial blueprint that will maintain the basic level of services the citizens have come to expect, a blueprint that maintains a strong fund balance for unanticipated needs and emergencies, a blueprint that will provide adequate funding in a timely fashion for a wide array of capital improvement and equipment replacement projects that are already facing the City and a blueprint that will retain employees and will continue to invest in the maintenance of employee skills, knowledge and abilities as a key community resource.

The City's future will be determined by choices we make today. The Mayor, City Council and staff for the City of Eden are cognizant of the economic challenges and opportunities facing our community. The budget for FY 2012-13 recognizes this fact and reflects a level of spending that is commensurate with the current economic climate as well as the overall needs facing the City. I am confident the future is bright for our City as long as we continue to maintain and support our long term vision aimed at being proactive versus reactive in making Eden the best place possible City to work, play, shop and live.

I want to assure each of you, that the management team will continue to monitor and review all operations on a continuous basis to ensure that we are as efficient and effective in our service delivery programs as possible.

We have an excellent group of employees who can be characterized as professional, dedicated and hard working. They have been called upon in recent years to make sacrifices, to do more with less and to wear multiple hats. We are a team and it is truly my pleasure to be associated with such a fine group of individuals.

While much has been accomplished during the course of the past ten plus years there is much that remains to be done!

Acknowledgements

I would like to take this opportunity to express my sincere appreciation and heartfelt thanks to Ms. Tammie McMichael, Director of Finance and Personnel and Ms. Amy Winn, CPA, Accounting Coordinator for their contributions, dedicated efforts and many hours of study and hard work related to the preparation of the budget. They have helped tremendously throughout this entire process and I am

very appreciative of their efforts. Additionally, it is appropriate to express credit and appreciation to Ms. Sheralene Thompson, CMC, City Clerk and each department/division head for their constructive efforts which also contributed greatly to the preparation of this document. Finally, I would like to thank the Mayor and each member of Council for your patience, words of encouragement and guidance throughout the entire budget process.