

Memorandum

From: Terry Shelton, Interim City Manager

Date: May 18, 2020

Re: Budget Message for fiscal year 2020-2021

On behalf of the City of Eden staff, I am pleased to present to you the fiscal plan for FY 2020-21. 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).

A public hearing of the FY 2020-21 budget will be scheduled for the Council's regular meeting on June 16, 2020 at 6:00 p.m. A copy of this budget document will be placed on file with the City Clerk and will be available for public inspection during normal business hours from now until the June 16 public hearing.

Balancing this budget this year has been a challenge especially because of COVID-19. A document has been prepared which continues to meet the City's basic needs in the critical service areas and addresses some of the various capital improvement needs currently facing the City. The unpredictability of revenues will cause anxiety about this budget during the next 12 months. The budget does not, however, provide all of the funds necessary for all the capital needs that were requested for the City.

The staff and I look forward to working with each of you to implement this budget and to continue our service to the fine citizens of Eden

Executive Summary

- The combined budgets for fiscal year 2020-21 are balanced and equal \$32,349,700, which is a decrease of \$467,100 or 1.42% when compared to the current combined budgets at \$32,816,800.
- The budget **does not** increase the current tax rate of \$0.609 per \$100 assessed property valuation.
- The budget **does not** increase the water rates, sewer rates or monthly residential solid waste fee.
- The budget **does not** increase the motor vehicle license fee of \$15.00 per licensed vehicle.
- This budget does not include any additional new compensation for all full-time employees. Previous compensation ranging from \$0 (0-4 years of service) to \$1,000 (30+ years of service) based on an employee's length of service to the City is also included. The Consumer Price Index for 2019 increased 2.3%, but there is not sufficient reliable revenue predicted in the coming budget year to support an increase in employee salaries this year.
- The budget includes funding for 181 full-time employees. This is an increase of one full-time position when compared to the current FY 2019-20 budget and still three full-time positions less than the City had October 2015.
- The budget includes \$800,000 in contingency funds (General Fund \$400,000 and Water & Sewer Fund \$400,000) for unanticipated expenditures and/or unforeseen declines in revenue.
- The FY 2020-21 spending plan includes the allocation of \$2,190,800 in available fund balances (General Fund \$1,106,700, Water & Sewer Fund \$964,900 and Self-Insurance Fund \$119,200). A portion (\$400,000) of the fund balance from the Water & Sewer Fund is the result of excess leachate revenues that have been received.

- \$90,000 for code enforcement efforts including demolitions and nuisance abatements.
- \$53,100 in funding to continue supporting a number of community-wide organizations.

- This budget was prepared to be very conservative due to the unpredictability of revenue in the coming year related to COVID-19 and contains very little in the way of capital outlay. The large capital items that are in the budget are set up in five-year loans so that the cost of the capital outlay in the 20-21 budget represents only around 20 to 22% of the cost of these purchases. Because of the uncertainty of revenues, I recommend that no capital expenditures be made until January so that Council will have an opportunity to see what the revenues are being received before making purchases of capital items. The budget is in balance and will be using fund balance of \$2,190,800 dollars from the General Fund, Water and Sewer Fund, and the Self-Insurance Fund. The budget will contain no tax increase, no water and sewer rate increase, and no solid waste rate increase. Virtually everything that was discussed in the Council Retreat has had to be cut or not put into the budget due to the lack of revenue to support new expenditures. The new budget that has been submitted to you is less than the current budget.

- *Please refer to the Budget Message for comprehensive information concerning the FY 2020-21 budget.*

Budget Message

Overview of Budget Highlights

- The combined budgets for fiscal year 2020-21 are balanced and equal \$32,349,700, which is a decrease of \$467,100 or 1.42% when compared to the current combined budgets at \$32,816,800.

- **A further** breakdown of the FY 2020-21 spending plan indicates the following:

<u>Summary (Funds)</u>	<u>FY 2020-21 Budget</u>
General	\$17,149,000
Water & Sewer	\$11,646,400
Self-Insurance	\$ 3,524,500
Runabout Travel	\$ 20,000
Municipal Service Tax District	<u>\$ 9,800</u>
	\$32,349,700
Less:	
Inter-fund Transfers	\$ 2,745,200
Appropriated Fund Balances	\$ 2,190,800
Grants/Principal Forgiveness Loans	\$ 1,051,900
Short Term Loans	\$ 1,063,400
Pass Thru Funds	<u>\$ 886,900</u>
	\$ 7,938,200
TOTAL NEW RECURRING REVENUE	\$24,411,500

- The FY 2020-21 budget includes \$2,745,200 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. \$2,728,200 shown within the Self-Insurance Fund and then again under the *Group Health/Dental Insurance* line items within various departmental and division budgets within the General Fund and Water & Sewer Fund.
 - B. \$17,000 shown within various line items in the Economic & Tourism Development Department and then again under 10-4135-83000 *Occupancy Tax Expenditures* within that same department.

- The FY 2020-21 spending plan includes the allocation of \$2,190,800 in available fund balances (General Fund \$1,106,700, Water & Sewer Fund \$964,900 and Self-Insurance Fund \$119,200). A portion (\$400,000) of the fund balance from the Water & Sewer Fund is the result of excess leachate revenues that have been received.

- The FY 2020-21 budget includes \$1,051,900 in grants/principal forgiveness loans for the following:

Community Oriented Policing Services Grant	\$ 54,900
North Carolina Commerce Rural Infrastructure Authority Grant	<u>\$ 997,000</u>
Total	\$1,051,900

- The FY 2020-21 budget includes \$1,063,400 in short-term loans within the General Fund for the following:

(8) Police Vehicles (5 Years)	\$ 375,200
Rubber Tire Loader (5 Years)	\$ 156,700
Replace Streets Dump Truck (5 Years)	\$ 169,500
Replace Automated Leaf Truck (5 Years)	\$ 236,000
Replace Financial/Utility Billing Software (5 Years)	<u>\$ 126,000</u>
Total	\$1,063,400

- The FY 2020-21 budget does not include any short-term loans within the Water & Sewer Fund.
- The FY 2020-21 budget includes \$886,900 in pass thru funds (i.e. non-taxpayer funds within the budget that are collected by the City from a specific source and then spent by/for that same source). These include the following:
 - A. \$20,000 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. \$9,800 within the Municipal Service District Tax Fund. The property owners within the Municipal Service Tax Districts of 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 \$7,800 is projected to be received from the Leaksville area, \$1,900 is projected to be received from the Draper area, and \$100 is projected to be received from interest income. This fund does not include the appropriation of any funds from the taxpayers of Eden.
 - C. \$48,400 within the General Fund for the reimbursement of secondary employment expenses related to Police Officers providing security services during their regularly scheduled time off.
 - D. \$20,500 within the General Fund for Project SAFE Rockingham County. These are funds from other jurisdictions here in Rockingham County who are paying their contributions toward the expenses of this program. Eden has agreed to help administer these pass-thru funds by collecting the funds and forwarding the funds on to cover costs associated with this project.
 - E. \$163,300 within the General Fund for the reimbursement of costs associated with the three school resource officer positions by the Rockingham County School System.

- F. \$551,100 within the Self-Insurance Fund. The members make contributions for covered dependents and retirees still on the City’s plan make contributions to their premiums as well. This \$551,100 does not include the appropriation of any funds from the taxpayers of Eden.
- G. \$68,200 within the General Fund for funds raised and received from private citizens and businesses to help fund various special events, including: Riverfest (\$35,000), Oink & Ale (\$9,500), Shaggin on Fieldcrest (\$8,000), Pottery Festival (\$4,700), Touch-A-Truck (\$1,000), and Grown & Gathered (\$10,000).
- H. \$5,600 within the General Fund for fuel purchases being made by county agencies.

- On February 22, 2020, the City Council met for its annual budget/planning retreat. According to the priorities submitted and discussed by the Mayor and members of City Council, the funding priority themes for FY 2020-21 include:

- A. Economic and Tourism Development Initiatives
- B. Parks & Recreation Initiatives
- C. Infrastructure Improvement Initiatives
- D. The need to purchase and transition to a new finance software system
- E. *Positively Eden* Strategic Plan Initiatives
- F. Code Enforcement & Nuisance Abatement Initiatives
- G. Continuing the initiative to finish the EPA-AOC Remediation Sewer Projects

In addition to the funding priority themes, the City Council expressed to continue specific spending priorities during the Council Budget Retreat for FY 2020-21 as follows:

1. *Positively Eden* Strategic Plan
2. Code Enforcement & Nuisance Abatement Issues
3. Increases in personnel for Finance, Planning and Code Enforcement and the Fire Department

For each of these identified themes and spending priorities, funding has not been included or significantly reduced in the budget as submitted due to projected revenue shortfalls to fund these new or continuing needs.

- A copy of the large and small capital outlay requests is included in the capital outlay section of this document. It outlines the various items requested and whether or not funding for those items has been included in the budget as submitted.
- The budget document includes a Five-Year Capital Improvement Program for the General Fund and the Water & Sewer Fund. This is updated each year 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 several years. The \$31,296,400 funding needs program (\$21,505,600 General Fund and \$9,790,800 Water & Sewer Fund) has been based on the "physical needs" of the City as identified by the appropriate department/division head. The respective department/division head is maintaining a detailed justification sheet on each item contained within the various capital outlay programs. As was discussed in detail in the Budget Retreat, due to the high bids received for the Sewer Remediation Projects we can no longer see that the projects are affordable to be completed by the Spring of 2022. The projects are being prioritized and additional funding was applied for this Spring. Award of ASADRA will be made in July. If the City receives funding from ASADRA, then we may have enough funding to complete the Remediation Plan as it is by February 2022. If we are not fully funded, then we can then find out what the EPA will allow us to do reshaping our time line to complete the entire Remediation Plan to satisfy the Administrative Order on Consent. In addition, as of April 2020, there was still an additional \$28,287,094 in projected spending related to the EPA Administrative Order of Consent (AOC) and \$7,438,506 (20.82%) spent on these projects thus far.

We have spent \$4,169,596 on the water line for the Mega Park Outside of the City Limits project thus far as that project nears completion. We will begin the Inside the City Limits portion of the Mega Park Water Line this summer to reinforce the back bone of our water line serving the east end of Town at a cost of \$2,969,304. The Mega Park Waterline Extension Project Inside the City Limits construction is expected to take place during the next 15-18 months ending late summer of 2021.

- The Tax and Service Rates section of the FY 2020-21 budget document outlines all of the Tax and Service Rates for the upcoming year. There have been no changes in the tax and service rates for FY 2020-21.
- The budget indicates that our liability insurance premiums will be decreasing by a total of \$15,500, or approximately 6.68%, from a grand total of \$231,900 that was allocated in the current year to a projected \$216,400 for next year.
- The budget indicates that our worker's compensation insurance premiums will be decreasing by a total of \$20,200, or approximately 7.60%, from a grand total of \$265,900 that was allocated in the current year to a projected \$245,700 for next year.
- The amount of money spent on gasoline and diesel fuel is expected to be less during the upcoming year. The budget includes \$317,600 under the *Auto/Gas* line item for various departments and divisions. This is a decrease of \$8,600 or approximately 2.64% when compared to the \$326,200 that is allocated in the current budget.
- The budget includes \$400,000 in the General Fund as an unappropriated contingency and \$400,000 in the Water and Sewer Fund as an unappropriated contingency for unforeseen declines in revenue and/or unanticipated expenditures. This \$800,000 will be added to the appropriate fund balances if not utilized during the upcoming fiscal year. It is not unrealistic to believe 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.

General Fund

The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund.

- A review of the audited financial statements for the period ending June 30, 2019 reveals the fund balance in the General Fund increased from \$9,408,745 as of June 30, 2018 to \$10,189,842, an increase of \$781,097 or approximately 8.30%.
- The City Council voted back in 1998-99 to keep an unassigned fund balance, equal to at least three months operating expenses. As such, three months operating expenses would be \$4,149,308 according to the audited statements for the period ending June 30, 2019. The \$6,783,552 “unassigned” fund balance at June 30, 2019 is actually \$2,634,244 over that threshold.
- As noted previously, \$400,000 in contingency funds has been allocated within the General Fund for unanticipated expenditures and/or unforeseen declines in revenue.
- As noted previously, the budget for the General Fund includes the use of \$1,106,700 in available fund balance. However, without the appropriation of \$400,000 in contingency funds there would have been a need to allocate \$706,700 in fund balance.
- The FY 2020-21 General Fund budget includes \$54,900 in grants for the following:

Community Oriented Policing Services Grant	\$ 54,900
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- The actual breakdown for the various departments/divisions within the General Fund are as follows:

<u>Department/Division</u>	<u>FY 2019-20</u> <u>Budget</u>	<u>FY 2020-21</u> <u>Budget</u>	<u>Year to Year</u> <u>Change</u>
Governing Board	\$ 106,200	\$ 108,100	\$ 1,900
Administrative & Legal Services	\$ 219,500	\$ 370,000	\$ 150,500
Finance/Human Resources	\$ 663,200	\$ 608,400	\$ (54,800)
Economic/Tourism Development	\$ 479,500	\$ 500,900	\$ 21,400
Information Technology	\$ 488,300	\$ 789,100	\$ 300,800
Facilities & Grounds	\$ 1,319,300	\$ 1,136,300	\$ (183,000)
Police	\$ 4,977,000	\$ 5,232,900	\$ 255,900
Fire	\$ 2,176,800	\$ 1,777,400	\$ (399,400)
Engineering	\$ 310,800	\$ 316,900	\$ 6,100
Streets	\$ 1,912,900	\$ 2,270,800	\$ 357,900
Powell Bill/Street Resurfacing	\$ 557,600	\$ 795,500	\$ 237,900
Solid Waste	\$ 2,426,700	\$ 2,170,800	\$ (255,900)
Planning & Inspections	\$ 639,700	\$ 603,400	\$ (36,300)
Parks & Recreation	\$ 1,087,200	\$ 1,085,300	\$ (1,900)
Fleet Maintenance	\$ 461,300	\$ 463,400	\$ 2,100
Special Appropriation	\$ 839,900	\$ 543,300	\$(296,600)
Contingency	\$ 500,000	\$ 400,000	\$(100,000)
	\$19,165,900	\$19,172,500	\$ 6,600
W/S Related Costs	- \$ 1,979,100	- \$ 2,023,500	- \$ 44,400
Total	\$17,186,800	\$17,149,000	\$ (37,800)

- As noted previously, the FY 2020-21 budget includes \$1,063,400 in short-term loans within the General Fund budget for the following:

(8) Police Vehicles (5 Years)	\$ 375,200
Replace Streets Dump Truck (5 Years)	\$ 169,500
Rubber Tire Loader (5 Years)	\$ 156,700
Replace Automated Leaf Truck (5 Years)	\$ 236,000
Replace Financial/Utility Billing Software (5 Years)	<u>\$ 126,000</u>
Total	\$ 1,063,400

According to the June 30, 2019 audited financial statements, the City will be retiring \$244,536 in annual short-term debt service payments within the General Fund by the conclusion of FY 2020-21 (\$217,168 by June 30, 2020 and \$27,368 by June 30, 2021). The projected annual short-term debt service payments for each item listed above is \$204,000.

- The Governing Board budget equals \$108,100. This is an increase of \$1,900 or approximately 1.79% when compared to the current year budget of \$106,200. Funding for the Eden Youth Council (\$4,000) and the Citizens Academy (\$2,000) are at the same levels included in the current budget.
- The Administrative and Legal services budget equals \$370,000. This is an increase of \$150,500 or approximately 68.56% when compared to the current year budget at \$219,500. The increase is due primarily to combined increases totaling \$145,900 in *Salaries*, and various benefits such as *FICA, Retirement Expense, State 401K and Group Health/Dental Insurance* which is a result of transferring the City Clerk/Payroll Technician position from Finance/HR to Administrative Services.

- The Finance/Human Resources budget equals \$608,400. This is a decrease of \$54,800 or approximately 8.26% when compared to the current year budget at \$663,200. The line item increases and decreases below cumulatively account for the majority of the decrease in the Finance/HR Department budget for FY 2020-21:

Increases

Professional Services \$ 31,400 – Includes the addition of internal auditing services.

Decreases

Salaries & Benefits (\$ 74,400) - Due to the transfer of the City Clerk/Payroll Technician position
from Finance/HR to Administrative Services.

Special Incentives (\$ 5,000)

Purchases for Inventory (\$ 5,000)

- The Economic and Tourism Development budget equals \$500,900. This is an increase of \$21,400 or approximately 4.46% when compared to the current year budget at \$479,500. The increase is due primarily to *Occupancy Tax Expenditures* which includes an increase for the Vietnam Memorial Wall for the new Heritage and Heroes Festival. Occupancy Tax also provides for a portion of the Tourism & Special Events Coordinator’s salary and the amount allocated in the FY 2019-20 budget was \$35,000. In the FY 2020-21 budget the amount allocated from Occupancy Tax for the Tourism & Special Events Coordinator’s salary is \$25,000.

It’s important to note that \$68,200 in General Fund revenues are raised and received from private citizens and businesses to help fund various special events, and an additional \$17,000 is being received from *Occupancy Tax Expenditures* for various special events as noted in the line item descriptions for specific special events listed within the proposed Economic and Tourism Development budget.

The exact breakdown is as follows:

Special Event	Total Cost	Private Funds	Occupancy Tax Funds	Public Funds
Riverfest	\$47,000	\$35,000	\$ 6,000	\$6,000
Oink & Ale Festival	\$11,000	\$ 9,500	\$ 1,500	\$ 0
Shaggin On Fieldcrest	\$ 9,500	\$ 8,000	\$ 1,500	\$ 0
Touch-A-Truck	\$ 2,500	\$ 1,000	\$ 1,500	\$ 0
Grown & Gathered	\$13,000	\$10,000	\$ 3,000	\$ 0
Winterfest	\$ 2,000	\$ 0	\$ 2,000	\$ 0
Pottery Festival	<u>\$ 6,200</u>	<u>\$ 4,700</u>	<u>\$ 1,500</u>	<u>\$ 0</u>
Totals	\$91,200	\$68,200	\$17,000	\$6,000

- The Information Technology budget equals \$789,100. This is an increase of \$300,800 or approximately 61.60% when compared to the current year budget at \$488,300. The line item increases and decreases below cumulatively account for the majority of the increase in the Information Technology budget for FY 2020-21:

Increases

Salaries & Benefits	\$ 62,500 - Includes the addition of a full-time position.
Telephone	\$ 3,000
Data Transmission/WAN	\$ 4,000
Contracted Services	\$ 33,000 - Includes Granicus Website Redesign and Druva InSync End User Backup that was not included in the FY 2019-20 budget.
C/O Equipment - Depr	\$149,000 - Includes the purchases of a Hyper-V Server and the replacement of the Financial/Utility Billing software.
C/O Equipment	\$ 31,900 - Includes the routine replacement of Police in-car computers, desk-tops, and laptops. Also includes the addition of Engineering workstations, and detective laptops.
Principal/Interest	\$ 28,500 - Includes first year of payment for Financial/Utility Billing software included in the FY 2020-21 budget.

Decreases

Salaries/Part-Time (\$ 10,000) - Part-time IT position converted into full-time position.

- The Facilities and Grounds budget equals \$1,136,300. This is a decrease of \$183,000 or approximately 13.87% when compared to the current year budget at \$1,319,300. The line item increases and decreases below cumulatively account for the majority of the decrease in the Facilities and Grounds budget for FY 2020-21:

Increases

Salaries/Temporary \$ 15,000
Landscaping Supplies \$ 4,000
M/R Building \$ 4,500
M/R parking Lots \$ 7,500
M/R Greenways \$ 20,000
C/O Equipment \$ 15,000 - Purchase of lawnmower.
Principal/Interest \$ 48,900 - Includes first year of payment for City Hall boiler and service truck purchased in FY 2019-20.

Decreases

Utilities (\$ 6,300)
Utilities/Gas (\$ 7,600)
C/O Building Improvements (\$253,000) - FY 2019-20 budget included City Hall boiler replacement.
C/O Vehicle (\$ 35,000) - FY 2019-20 budget included the purchase of service truck.

- The Police budget equals \$5,232,900. This is an increase of \$255,900 or approximately 5.14% when compared to the current year budget at \$4,977,000. The line item increases and decreases below cumulatively account for the majority of the increase in the Police Department budget for FY 2020-21:

Increases

Salaries/Part-Time	\$ 15,000 - In FY 2019-20, an Administrative Assistant position was eliminated in January and a part-time position was created.
Separation Allowance	\$ 28,500 - Includes 2 additional retirees.
Travel	\$ 4,500
Tow Charges	\$ 7,000
Contracted Services	\$ 12,300
C/O Vehicles	\$280,200 - FY 2019-20 included the purchase of 2 police vehicles; FY 2020-21 includes the purchase of 8 police vehicles.
Principal/Interest	\$ 38,300 - FY 2020-21 includes the first principal and interest payment for the 8 police vehicles included in the FY 2020-21 budget.

Decreases

Salaries/Fringe Benefits	(\$ 66,900) - This decrease is a combination of the retirement of the chief and the elimination of a full-time Administrative Assistant position.
Insurance/Worker's Comp	(\$ 5,900)
Safety Equipment	(\$ 9,200)
K-9 Supplies	(\$ 4,200)
Property Insurance	(\$ 4,900)
C/O Equipment - Depr	(\$ 21,000) - FY 2019-20 included the purchase of fingerprinting equipment.
C/O Equipment	(\$ 23,500) - FY 2019-20 included the purchase of replacing body cameras, GPS tracking device, and 2 in-car cameras. The FY 2020-21 budget does include funds for non-depreciable C/O equipment.

It is also important to note that in late 2017, the City Council voted to accept a Community Oriented Policing Services (COPS) Grant for the hiring of two additional police officers. The intention was to reinstate the two police officer positions (that were previous COPS grant positions from years ago) that were eliminated by the closing of MillerCoors. According to the award notification letter, *“the estimated amount of federal funds to be awarded to your jurisdiction over the three-year award is \$250,000. Your local cash match will be \$96,180.00”*. In addition, *“award recipients must retain all sworn officer positions funded under the 2017 CHP award for a minimum of 12 months following the 36-month federal funding period”*. As such, the total commitment from the City over the four-year period will be approximately \$211,573.92. The projected revenues within the General Fund include \$54,900 that we anticipate receiving from the Community Oriented Policing Services (COPS) Grant as a reimbursement for a portion of the costs associated with these two positions. This grant will be closed out in FY 2020-21 and this will be the final year that we will receive this reimbursement. Finally, the projected revenues within the General Fund also include \$163,300 that we anticipate receiving from the Rockingham County School System as a reimbursement for costs associated with the three School Resource Officer positions that work at Morehead High School, Holmes Middle School and the elementary schools in Eden.

- The Fire budget equals \$1,777,400. This is a decrease of \$399,400 or approximately 18.35% when compared to the current year budget at \$2,176,800. The line item increases and decreases below cumulatively account for the majority of the decrease in the Fire Department budget for FY 2020-21:

Increases

Principal/Interest	\$ 98,000 - FY 2020-21 includes the first debt service payment for the Fire Training Facility
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Decreases

Salaries/Fringe Benefits	(\$ 25,200) - Due to the retirement of a full-time firefighter with 30 years of service and the position being filled at the entry level salary.
Department Supplies	(\$ 2,200)
M/R Buildings	(\$ 2,500)
C/O Buildings	(\$ 466,200) - FY 2019-20 included the new Fire Training Facility.

- The Engineering budget equals \$316,900. This is an increase of \$6,100 or approximately 1.96% when compared to the current year budget of \$310,800.
- The Streets budget equals \$2,270,800. This is an increase of \$357,900 or approximately 18.71% when compared to the current year budget of \$1,912,900. The line item increases and decreases below cumulatively account for the majority of the increase in the Street Department budget for FY 2020-21:

Increases

Retirement	\$ 8,000 - The employer retirement contribution increased from 8.95% to 10.15% for FY 2020-21.
M/R Storm Drains	\$ 5,000
M/R Building	\$ 2,000
Contracted Services	\$ 5,000
C/O Improvements	\$ 38,500 - FY 2020-21 budget includes storm drain replacements at Cedar/Willow Streets and Front/May Streets.
C/O Vehicles	\$169,500 - FY 2020-21 budget includes the purchase of dump truck.
C/O Equipment	\$129,200 - FY 2019-20 budget included the purchase of a leaf machine and the FY 2020-21 budget includes the purchases of a rubber tire loader, emergency trailer, message board and commercial mower.
Principal/Interest	\$ 37,200 - FY 20-21 budget includes the first debt service payments for the dump truck and tire loader.

Decreases

Street Lights	(\$ 35,000)
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- The Powell Bill – Street Resurfacing budget equals \$795,500. This is an increase of \$237,900 or approximately 42.66% when compared to the current year budget of \$557,600. The line item increases and decreases below cumulatively account for the majority of the increase in the Powell Bill – Street Resurfacing budget for FY 2020-21:

Increases

Streets - Contracted Services \$247,500 - Funds are included in the FY 2020-21 budget for additional street resurfacing above the amount provided by Powell Bill funds.

Decreases

Powell Bill - Contracted Services (\$ 9,500) - Reduction due to decrease in projected revenue from the State.

- The Solid Waste budget equals \$2,170,800. This is a decrease of \$255,900 or approximately 10.55% when compared to the current year budget of \$2,426,700. The line item increases and decreases below cumulatively account for the majority of the decrease in the Solid Waste Department budget for FY 2020-21:

Increases

Overtime \$ 3,000
 Retirement \$ 4,900 - The employer retirement contribution increased from 8.95% to 10.15% for FY 2020-21.
 M/R Building \$ 3,500
 Contracted Services \$ 41,300 - Includes an increase for grinding of wood waste.
 Principal/Interest \$ 18,200 - Final debt service payments for garbage truck were completed in FY2019-20 and new debt service payments for an automated leaf truck were added in FY 2020-21.

Decreases

Group Health Insurance	(\$ 20,500) - A Solid Waste retiree came off the City's health insurance plan in FY 2019-20.
M/R Vehicles	(\$ 45,000)
C/O Vehicles	(\$ 74,000) - FY 2019-20 budget included the purchase of a garbage truck and the FY 2020-21 budget includes the purchase of an automated leaf truck.
C/O Equipment	(\$191,500) - FY 2019-20 budget included the purchase of a trash trailer and air curtain burner and the FY 2020-21 budget does not include any capital outlay equipment.

- The Planning and Inspections budget equals \$603,400. This is a decrease of \$36,300 or approximately 5.67% when compared to the current year budget of \$639,700. The line item increases and decreases below cumulatively account for the majority of the decrease in the Planning Department budget for FY 2020-21:

Increases

Salaries/Fringe Benefits	\$ 7,400
Advertising	\$ 6,000
Professional Services	\$ 1,900
Professional Serv/Prog	\$ 7,000
Dues/Subscriptions	\$ 7,200

Decreases

Contracted Services	(\$ 70,000) – Reduction in funds for code enforcement due to reduced revenues.
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It is important to note that \$90,000 in funding has been included under *Contracted Services* for our code enforcement program. Although demolition funding is included in the budget, actual approval from the City Council will be needed prior to executing a contract for the removal of any properties.

- The Parks and Recreation budget is \$1,085,300. This is a decrease of \$1,900 or approximately 0.17% when compared to the current year budget of \$1,087,200. The line item increases and decreases below cumulatively account for the majority of the decrease in the Recreation Department budget for FY 2020-21:

Increases

Salaries/Temporary	\$ 16,300
Retirement	\$ 5,100 - The employer retirement contribution increased from 8.95% to 10.15% for FY 2020-21.
M/R Buildings	\$ 3,000
C/O Land Improvements	\$ 55,000 - FY 2019-20 included the resurfacing of Freedom Park roadway, paving RV Loop area, and a disc golf course. The FY 2020-21 budget includes a picnic shelter at putt-putt course, resurfacing basketball courts and playground equipment at Bridge Street, and resurfacing the Monroe Street parking lot.
Principal/Interest	\$ 11,600 - FY 2020-21 includes the first debt service payment for a passenger bus purchased in FY 2019-20.

Decreases

Group Health Insurance	(\$ 13,600) - A Recreation retiree came off the City's health insurance plan in FY 2019-20.
Dixie Youth	(\$ 20,000) - Tournament will not be held in FY 2020-21.
C/O Vehicle	(\$ 58,000) - FY 2019-20 budget included the purchase of a passenger van; the FY 2020-21 budget does not include the purchase of any vehicles.

- The Fleet Maintenance budget is \$463,400. This is an increase of \$2,100 or approximately 0.46% when compared to the current year budget of \$461,300. A \$400,000 capital project for an above ground fuel storage and filling station for vehicles was cut from the budget due to the cost. This expenditure will be needed in the near future to replace the aging underground fuel storage tank that can be problematic and costly should they begin to leak.
- The Special Appropriations budget for the General Fund is \$543,300. This is a decrease of \$296,600 or approximately 35.31% when compared to the current year budget of \$839,900. The line item increases and decreases below cumulatively account for the majority of the decrease in the Special Appropriations budget for FY 2020-21:

Increases

Chamber of Commerce \$ 5,000

Decreases

Elections	(\$ 14,600) - We only pay election fees to the County in the years we have municipal elections. There are no municipal elections in FY 2020-21.
RCAT Transportation	(\$ 57,800) - This is due to the RCAT Transportation grant no longer being funded through the City.
Freedom Park Trail	(\$ 6,900) - FY 2019-20 included funds for the Freedom Park Nature Trails.
Eden Otter Habitat	(\$9,500) - FY 2019-20 included funds for the Eden Otter Habitat. This was funded by a grant.
Get Fit Grant	(\$ 23,400) - FY 2019-20 included funds for the Eden Get Fit Program. This was funded by a grant.
Eden Strategic Plan	(\$125,000)
Performance Incentives	(\$ 54,900) - There were two incentive agreements that ended in FY 2019-20 (Gildan 2014 and Innofa 2015).
Salary Adjustments	(\$ 10,000)

- The Contingency budget for the General Fund is \$400,000 for FY 2020-21. This is a decrease of \$100,000 or approximately 20.00% when compared to the current year budget of \$500,000.

- The FY 2020-21 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	\$ 0.695
Madison	\$ 0.73	Stoneville	\$ 0.69
Mayodan	\$ 0.63	Wentworth	Not Applicable
Reidsville	\$ 0.739		

- A review of the tax rate for the City of Eden during the past 40+ years reveals the following:

1975	\$ 0.69	2000	\$ 0.57
1980	\$ 0.77	2005	\$ 0.57
1985	\$ 0.77	2010	\$ 0.62
1990	\$ 0.66	2015	\$ 0.609
1995	\$ 0.59	Current	\$ 0.609

- The tax revenue projections outlined below are based upon a total property valuation of \$931,580,131 (based on the 2019 levy as of January 2020) at a collection rate of 98.33% or \$5,578,500.

The \$5,578,500 is calculated as follows:

Total Property Value:	\$ 931,580,131
Tax Rate/\$ 100 Value:	\$ 0.609
Total Revenue Estimate:	\$ 5,673,323
Assumed Collection Rate @ 98.33%:	\$ 5,578,500
Revenue per One Cent of Tax Rate:	\$ 93,000

- The city has 627 paved street sections (105.29 miles) in the city’s street system that total 1,386,997 square yards of asphalt pavement streets in the city limits that have to be repaired and resurfaced in the progression of our Street Resurfacing Program. Based on a 15-year program, we need to resurface 92,457 square yards of asphalt pavement each year at an estimated cost of \$1,017,952 to maintain the 15-year cycle. The average cost to repair and resurface a street is \$11.01 a square yard based on the actual cost of last years’ street resurfacing contracts. Last year, we received approximately \$463,000 from the State Powell Bill Program. Therefore, an additional \$560,000 is currently needed annually to meet the requirement for a 15-year program.
- Three years ago, the City Council voted to move forward with a Strategic Community Vision process. J. M. Teague Engineering & Planning, with their partner firms of Chipley Consulting, SYNEVA Economics, LLC and Kostelec Planning was hired to oversee this process. A volunteer steering committee of diverse representatives from the community was assembled to assist the consultants and provide guidance throughout this entire process. Implementation of the *Positively Eden* Strategic Plan was initiated during FY 2017-18 and a variety of initiatives and projects have been completed and others are in the process of being completed. The budget includes a lump sum allocation of \$175,000 within the Special Appropriations Department for additional undesignated initiatives related to the continued implementation of the *Positively Eden* Strategic Plan. Please note that specific recommendations and projects that will be funded by a portion of this \$175,000 will come back before the City Council for formal approval prior to proceeding with any actual implementation and funding. Staff is recommending that the remainder of the allocated funding for the Strategic Plan from the 19-20 budget be reallocated to a revenue fund for 20-21 to allow the Strategic Planning Commission continue to fund initiatives over multiple years such as a Façade Grant for the Nantucket Mill of \$50,000 in 20-21 and another \$50,000 in 21-22 if funding is available and Council approves.
- One of the recommendations included in the “*Positively Eden*” Strategic Plan is the hiring of a full-time Main Street Manager. In 2002, Eden applied with the NC Department of Commerce to be a NC Main Street community. One of the requirements for designation and continued designation is to have staff that dedicates 40-hours per week to managing the program. Due to the growth of additional responsibilities being handled by the Director of Economic Development and the Coordinator of Tourism and Special Projects/Events, the hours that were supposed to be dedicated to the downtown areas as a component of the Main Street program requirements were not being met. A full-time Main Street Manager was hired in July 2017 and continued funding for this position is included in the FY 2020-21 budget.

- The Special Appropriation budget within the General Fund includes \$14,400 for the Rockingham County Access Transit System (RCATS) to help keep the Skat bus service operational within the City of Eden. In FY 2019-20 the General Fund included \$72,200 for RCATS. Offsetting a significant portion of this cost was a \$64,900 RCATS grant. This means Eden’s contribution for FY 2019-20 was \$7,300. For FY 2020-21 the RCATS grant will no longer pass through the City. The amount appropriated of \$14,400 is the City’s portion for the operation of the Skat bus service for FY 2020-21.
- The FY 2020-21 budget includes \$53,100 in funding to continue supporting a number of community-wide Organizations including: Rockingham County Arts Council (\$2,000), Eden Library (\$2,600), Eden Chamber of Commerce (\$20,000), Eden Rescue Squad (\$12,000), Project SAFE Rockingham County (\$3,900), Eden Historical Museum (\$3,600), Eden Preservation Society (\$1,000), Eden Downtown Development Corporation (\$3,000) and Eden Kiwanis Ole Fashion 4th of July Celebration (\$5,000).
- The Special Appropriations budget within the General Fund includes \$68,700 to pay for the City’s obligations in reference to performance agreements with local industries. This is a decrease of \$54,900 or approximately 44.42% when compared to the \$123,600 that was allocated for the current fiscal year. 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 2020-21 include:

<u>Company</u>	<u>Amount Due in FY 2020-21</u>
Gildan – Payment 1 of 5	\$45,584
Karastan 2015 – Payment 5 of 8	\$22,558
Latham Photography – Payment 3 of 5	<u>\$ 502</u>
Total	\$68,644

- Eden receives several statewide revenues from the State of North Carolina. Each of these are tied directly to and dependent upon economic forces:

- A. NC Sales Tax – Articles 39, 40, 42 and 44
- B. State Hold Harmless Agreement
- C. Solid Waste Disposal Tax Distribution
- D. Franchise Fees/State
- E. Beer and Wine Tax
- F. Utilities Franchise Tax
- G. Powell Bill State Street Aid Allocation

The revenue estimates for FY 2020-21 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. The combined statewide revenues for fiscal year 2020-21 are projected to equal \$5,242,800. This is a decrease of \$227,200 or approximately 4.15% when compared to the projected revenues for FY 2019-20 at \$5,470,000. This year budgeting has proven to be very challenging because of COVID-19 and the unpredictability it has cast on revenue estimates nationwide. The uncertainty of tax-based revenue could be diminished.

- The importance of securing new annexation-in-lieu agreements during FY 2012-13 with MillerCoors (25 Years) and in FY 2018-19 with Duke Energy (5 Years) has been crucial to our General Fund revenues. It is important to note the agreement previously executed with MillerCoors runs with the property and not the specific owner of the property.

As I have stated previously, the future of the payments associated with the former MillerCoors property continues to be very questionable and of great concern. Since the closing of MillerCoors Brewing Company there has been repeatedly filed appeals to the property valuation totals in an effort to substantially lower its tax liability. As a result, the amounts we have received pursuant to the existing agreement have continued to drop. Consider the following:

FY 2016-17	\$489,828	FY 2018-19	\$266,130
FY 2017-18	\$393,666	FY 2019-20	\$ 29,436

The FY 2019-20 payment from 770 Ventures LLC equaled \$29,436. This is a reduction of \$460,392 or approximately 93.99% from the \$489,828, MillerCoors paid during FY 2016-17. If 770 Ventures LLC (new property owner) is successful in their still pending valuation appeals the City would lose additional revenue. There are many unknowns moving forward concerning what will ultimately be done with this property and what the valuation totals will ultimately equal.

Duke Energy previously agreed to renew their \$200,000 per year payment with the City for an additional period of five years (FY 2018-19 through FY 2022-23).

Thoroughbred Resources, LLC (dba A. C. Furniture) previously agreed to renew their approximate \$14,000 per year agreement with the City for an additional period of ten years (FY 2017-18 – FY 2026-27). The future payments associated with the former A. C. Furniture property is questionable and of great concern due to their most recent bankruptcy filing.

Due to our ongoing concerns and the information outlined above, the budget as submitted includes a reduction in projected revenue for our *Payment in Lieu Annex* line item of \$69,900 or approximately 22.31% when you compare the amount projected for FY 2020-21 that equals \$243,400 to the amount projected for the current year, which equals \$313,300. The \$243,400 projected to be collected during the upcoming year represents a reduction of \$459,461 or approximately 65.37% when compared to the actual collections that were received in FY 2016-17 that equaled \$702,861. This has been and continues to be a significant loss for our General Fund.

- 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 ultimately passed included a two percent (2%) tax. A total of \$80,000 in related revenues within the General Fund and \$63,000 in related expenditures within the Economic & Tourism Development Department of the General Fund has been included in the FY 2020-21 budget. Each year the amount of Occupancy Tax collected that is not expended is reserved in the General Fund fund balance to appropriate in future years. At June 30, 2019 the amount of fund balance reserved for Occupancy Tax was \$76,905 of which \$8,000 of this fund balance has been appropriated in FY 2020-21 budget.
- Municipalities in North Carolina are authorized under general law to levy up to a \$30 motor vehicle tag fee on any motor vehicle owned by residents of the community. North Carolina General Statute 20-97(b) details this authority. The current fee of \$15 is remaining unchanged for FY 2020-21 and it is projected that this fee will generate \$169,800 in revenue for the upcoming year. This is an increase of \$7,600 or approximately 4.69% compared to the projected collections of \$162,200 in the current budget.
- Based on current trends related to both residential and commercial development, there will be approximately a 7.17% decrease in permit fees from FY 2019-20 to FY 2020-21. The budget includes \$69,900 in projected revenues (decrease of \$5,400 from current year) from building permits, plumbing permits, mechanical permits, sign permits and electrical permits.
- Currently the City is maintaining a recycling program within Solid Waste Division although it generates very little revenue. Operation of a recycling program to reduce solid waste in the landfill is mandated by the State. Last year on June 1, 2019, all six of the recycling drop port sites located throughout the city will be closed and all recyclables can be dropped off at our recycling center that is located at 123 Mebane Bridge road. Our Mebane Bridge site is currently being renovated to better handle the recycling material and ease of access. In addition, the site will have longer hours of operation. The recycling center will be open from 9:00 a.m. to 6:00 p.m. Tuesday thru Sunday. The facility will be closed on Mondays and will be closed in observance of 11 holidays throughout the course of the year.

According to the NC Department of Environmental Quality, the City of Eden is only allowed to accept recycling material from Eden residents. As such, we will be furnishing a vehicle sticker to Eden residents the first time they visit the site to drop off their recyclables. Once residency has been verified, a sticker will be given to the resident. The sticker must be displayed in the right rear of their vehicle. Each sticker will be numbered and assigned to that vehicle only. If a resident needs more than one sticker, for other vehicles they own, that vehicle must be driven to the site on a subsequent visit to the recycling center in order to be registered and receive a recycling sticker.

- Waste Management has decided last year that they could no longer continue to provide curbside recycling service for the citizens living in Eden and Reidsville who voluntarily signed up for the service and are paying the associated collection cost. According to a representative with Waste Management, Eden currently has 371 homes participating in the bi-weekly voluntary curbside recycling program at a current rate of \$3.93 per month. According to our Billing and Collections Division, there are an approximate total of 6074 residential solid waste customers in Eden. The 371 homes participating in the current program represent approximately 6.27% of our total residential solid waste customers.

According to Waste Management, the recycling market is at a very low point right now and the current contract is no longer sustainable. They informed us they are losing money every day at \$3.93 per home. They wrote, *“As you can imagine, it would be approximately \$9.00 per home or more for MSW (Municipal Solid Waste) collection. As stated, the only difference now for recycling is that it costs even more to service”*. They went on to state, *“basically, recycling routes utilize the same truck cost, driver cost and now a higher end cost due to processing and a lack of marketing potential. Reports are the markets are only going to get worse when China stops receiving any recycling from the USA. It is mainstream thought this will occur by early next year”*. Finally, they note, *“This issue is recycling processing now costs over 2 ½ times that of MSW LF (linear foot) tonnage rates”*.

We had an offer from Foothills Recycling to resume curbside recycling after Waste Management ceased to provide this service. Foothills needed at least 400 customers to provide the curbside recycling and make it cost effective. (That number remained under 400 residents despite a lengthy campaign to recruit customers.) Currently there are no vendors willing to take on curbside recycling for the number of customers who expressed willing to accept an increased bill for this service. Curbside recycling is not likely to cost effective for any vendor or the City to provide unless it is made mandatory for all residents.

Fortunately, the City of Eden still has its recycling center that is located at 123 Mebane Bridge road that will accept recyclable materials for all Eden residents who would like to continue recycling moving forward.

- The Solid Waste Division budget equals \$2,170,800 and includes all of the costs attributable to our solid waste operations with the exception of leaf collection costs which are currently expensed out of the Street Division budget since many of the full-time employees within that division assist the seasonal employees hired within the Street Division with the leaf collection responsibilities on an annual basis.

If you refer to the General Fund revenues, you will note that it is projected that \$1,366,500 will be collected in residential solid waste fees, \$477,000 will be collected in commercial solid waste fees and \$7,300 will be collected in solid waste recycling, compost/mulch, demolition/abatement and materials/scrap fees.

The projected revenues equal \$1,850,800, which means that only approximately 85.26% of our Solid Waste Division expenses are being offset by various solid waste fees. It has been the Council's desire for many years now to try to operate our Solid Waste program as an Enterprise Fund, like our Water and Sewer Fund, where revenues collected offset annual expenditures. It should be noted that the current monthly fee of \$18.75 has not been increased in 10 years. **There is a \$320,000 gap between the projected revenues and the projected expenses in the proposed budget. Because the General Fund is supplemented by using a significant amount of Fund Balance to balance the Budget this year, the City Manager recommends that Council consider a Solid Waste fee increase \$4.39 from the current \$18.75 to 23.14. A \$4.39 increase would close the gap generating an additional \$320,000. This would make the Solid Waste an Enterprise Fund where the revenues equaled the expenditure for the operation of the service provided.**

- The projected revenues within the General Fund include \$163,300 that we anticipate receiving from the Rockingham County School System as a reimbursement for costs associated with the three School Resource Officer positions. One officer is assigned to Holmes Middle School, one officer is assigned to Morehead High School and the remaining officer floats between the elementary schools here in Eden.

- The annual cost for our ad valorem tax collection contract with Rockingham County will be \$51,000 during FY 2020-21. This is the same amount included in the current budget.
- Each year staff follows up to evaluate the likelihood of Eden being designated as a community that will be mandated to come into compliance with the EPA NPDES Phase II Stormwater Regulations. If designated, the costs to comply with this unfunded mandate could be in excess of \$300,000. Based on staff's conversation with representatives from the NC Division of Water Quality (DWQ), it is unlikely the City of Eden will be included in the automatic designations. Therefore, based on the latest update from the NC DWQ, it is not necessary to include any funding in the FY 2020-21 budget for the Phase II designation.
- Revenues in the General Fund continue to include \$1,200 under the line item labeled *Fire Department Rental – Draper Rural*. As each of you is aware, Draper Rural is currently utilizing space within both Fire Station 200 as well as Fire Station 300. They collect a special tax within their service district to help offset the costs they incur in providing fire protection services.
- The FY 2020-21 budget includes \$24,400 (approx. \$3,900 from Eden and \$20,500 from other participating agencies) to continue the Project SAFE Rockingham County (PSRC) program. PSRC is an anti-gun violence coalition that seeks to reduce gang-related and chronic offender violent crime and illegal gun possession. After an initial two years of operational success with funding from the Governor's Crime Commission, the six law enforcement departments in the county now support PSRC. In its eight-and-one half years of operation, PSRC has brought about positive changes to the criminal landscape. The City of Eden has agreed to be the depository for the funds contributed by the six law enforcement departments for the expenses related to continuing this program.

- The large capital outlay and small capital outlay requests portion of this budget document outlines all of the capital outlay requests that have been included for funding and are included in the General Fund. A total of \$2,022,200 is included in the FY 2020-21 budget. A listing of the capital outlay items included for funding within the General Fund (includes Powell Bill/Street Resurfacing Account and *Positively Eden* Strategic Plan Initiatives) is as follows:

<u>Item & Department/Division</u>	<u>Included</u>
Hyper-V Server – Information Technology	\$ 23,000
Replace Financial/Utility Billing Software – Information Technology	\$ 126,000
Replace Lawn Mower – Facilities & Grounds	\$ 15,000
Replace (8) Police Vehicles/Equipment - Police	\$ 375,200
Storm Drain Replacement Cedar/Willow Street - Streets	\$ 27,500
Storm Drain Replacement Front/May Street - Streets	\$ 11,000
Rubber Tire Loader – Streets	\$ 156,700
Replace Dump Truck – Streets	\$ 169,500
Emergency Trailer – Streets	\$ 6,500
Message Board – Streets	\$ 20,000
Replace Commercial Mower – Streets	\$ 16,000
Street Resurfacing – Powell Bill Funds – Powell Bill/Street Resurfacing	\$ 458,000
Street Resurfacing – General Fund – Powell Bill/Street Resurfacing	\$ 247,500
Replace Automated Leaf Truck – Solid Waste	\$ 236,000
Picnic Shelter @ Putt Putt Course – Recreation	\$ 30,000
Resurface Basketball Courts @ PHP – Recreation	\$ 16,000
Playground @ Bridge Street Rec – Recreation	\$ 50,000
Repave Monroe Street Parking Lot – Recreation	\$ 20,000
<i>Positively Eden</i> Strategic Plan Initiatives – Special Appropriations	<u>\$ 175,000</u>
Total	\$2,178,900

Water & Sewer Fund – Enterprise Fund

- The combined fund balance in the Water & Sewer Fund, the Mega Park Waterline Project Fund and the EPA Administrative Order of Consent (AOC) Sewer Project Fund for the period ending June 30, 2019 was \$7,984,982. This is an increase of \$885,851 or approximately 12.48% when compared to the June 30, 2018 total of \$7,099,131.
- As noted previously, the FY 2020-21 budget includes \$997,000 in funding from a North Carolina Commerce Rural Infrastructure Authority Grant within the Water & Sewer Fund budget for the New Street Sewer Improvements Project.
- As noted previously, \$400,000 in contingency funds has been allocated within the Water & Sewer Fund for unanticipated expenditures and/or unforeseen declines in revenue.
- As noted previously, the budget for the Water & Sewer Fund includes the use of \$564,900 in available fund balance as well as an additional \$400,000 in available fund balance from excess leachate revenues that have been received.
- Eden has made a substantial commitment towards the improvement and care of its infrastructure during the course of the past eighteen years. As our rates have increased, our commitment to our infrastructure improvements has increased. Since FY 2001-02 the City spent approximately **\$59,627,909** on a variety of water and sewer infrastructure needs. Much of this spending was due to various unfunded mandates. As we enter FY 2020-21 the City is still facing a multitude of capital infrastructure needs associated with our water and sewer system.

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

<u>Department/Division</u>	<u>FY 2019-20 Budget</u>	<u>FY 2020-21 Budget</u>	<u>Year to Year Change</u>
Administrative, Inspection & Legal Services	\$ 645,100	\$ 424,200	\$ (220,900)
Water Resources	\$ 557,100	\$ 556,900	\$ (200)
Billing & Collections	\$ 522,000	\$ 424,100	\$ (97,900)
Water Filtration Plant	\$ 1,374,200	\$ 1,316,900	\$ (57,300)
Collection & Distribution	\$ 2,465,600	\$ 2,086,300	\$ (379,300)
Wastewater Treatment Plant	\$ 1,229,800	\$ 1,229,800	\$ 0
Water Construction	\$ 428,000	\$ 388,000	\$ (40,000)
Sewer Construction	\$ 975,000	\$ 900,000	\$ (75,000)
Special Appropriation	\$ 3,877,100	\$ 3,920,200	\$ 43,100
Contingency	<u>\$ 500,000</u>	<u>\$ 400,000</u>	<u>\$ (100,000)</u>
	\$12,573,900	\$11,646,400	\$ (927,500)

- The Administrative, Inspection and Legal services budget equals \$424,200. This is a decrease of \$220,900 or approximately 34.24% when compared to the current year budget at \$645,100. The line item decreases below account for the majority of the decrease in the Administrative, Inspections and Legal services budget for FY 2020-21:

<u>Decreases</u>	
Salaries & Benefits	(\$206,100) - Due to General Fund and Water & Sewer Fund percentage changes for Administration positions based work load for each fund.
Overtime	(\$ 10,000)
Travel	(\$ 2,000)
Auto/Gas	(\$ 1,000)
C/O Equipment	(\$ 1,000)

- The Water Resources budget equals \$556,900. This is a decrease of \$200 or approximately 0.04% when compared to the current year budget at \$557,100.
- The Billing & Collections budget equals \$424,100. This is a decrease of \$97,900 or 18.75% when compared to the current year budget of \$522,000. The line item increases and decreases below cumulatively account for the majority of the decrease in the Billing & Collections budget for FY 2020-21:

Increases

Salaries/Part-Time	\$ 7,100 - With the retirement of a full-time meter technician, funds were added for a part-time person to fill in during vacations.
Bank Service Charges	\$ 7,800

Decreases

Salaries & Benefits	(\$ 62,600) - Due to retirement of full-time meter technician.
Contracted Services	(\$ 38,100)
C/O Equipment	(\$ 6,500)
Warehouse Property	(\$ 3,600)

- The Water Filtration budget equals \$1,316,900. This is a decrease of \$57,300 or approximately 4.17% when compared to the current year budget of \$1,374,200. The line item decreases below account for the majority of the decrease in the Water Filtration budget for FY 2020-21:

Decreases

Professional Services	(\$ 13,000)
Department Supplies	(\$ 10,000)
Utilities	(\$ 10,000)
Contracted Services	(\$ 3,000)
C/O Equipment Depr	(\$ 21,000) - FY 2019-20 included funds for an upgrade to the chlorine feed system. The FY 2020-21 budget includes funds for a reduced pressure valve and a streaming current meter.
C/O Equipment	(\$ 4,000)

- The Collection and Distribution budget equals \$2,086,300. This is a decrease of \$379,300 or approximately 15.38% when compared to the current year budget of \$2,465,600. The line item increases and decreases below cumulatively account for the majority of the decrease in the Collections & Distribution budget for FY 2020-21:

Increases

Principal/Interest \$ 20,700 - FY 2020-21 budget includes the first principal and interest payment for the sewer van that was purchased in FY 2019-20.

Decreases

M/R Taps (\$ 7,000)

M/R Collection System (\$ 30,000)

M/R Distribution System (\$ 17,000)

M/R Metering (\$ 5,500)

Chemicals (\$ 10,000)

Utilities (\$ 7,000)

C/O Vehicles (\$325,000) - FY 2019-20 budget included the purchase a service truck and sewer camera van. The FY 2020-21 budget does not include the of any vehicles.

- The Wastewater Treatment budget equals \$1,229,800 and remains unchanged when compared to the current year budget of \$1,229,800.

- The Water Construction budget equals \$388,000. This is a decrease of \$40,000 or approximately 9.35% when compared to the current year budget of \$428,000. The budget includes funding for thirteen different initiatives during FY 2020-21. They include the following:

▪ Severe Problem Waterline Replacement	\$ 10,000
▪ Glovenia Street Waterline Replacement	\$ 70,000
▪ Remediation Sanitary Sewer Related Waterline Replacement	\$ 75,000
▪ Remediation Sanitary Sewer Related Water Tap Replacement	\$ 50,000
▪ NC DOT U-5893 Related Waterline Replacement	\$ 30,000
▪ Small Booster Pump Station – Jackson Street	\$ 40,000
▪ Water Valve Replacement of Insertion Work	\$ 10,000
▪ Maryland Avenue Waterline Replacement – Design Only	\$ 20,000
▪ Circle Drive Waterline Replacement – Design Only	\$ 20,000
▪ Bridge Street Waterline Replacement	\$ 28,000
▪ Maple Lane Water Line Replacement – Design Only	\$ 15,000
▪ Circle Drive Phase 2 Waterline Replacement – Design Only	\$ 10,000
▪ NC DOT B-5737 Related Waterline Replacement	<u>\$ 10,000</u>
Total	\$ 388,000

- The Sewer Construction budget equals \$900,000. This is a reduction of \$75,000 or approximately 7.69% when compared to the current year budget of \$975,000. The budget includes \$900,000 for two different initiatives during FY 2020-21. They include the following:

▪ New Street Sewer Improvements Project	\$890,000
▪ Sewer Construction Unanticipated Needs & Professional Services as Needed	<u>\$ 10,000</u>
Total	\$900,000

- New Street Sewer Improvement Project – The City annexed the MGM Warehouse property years ago, but the property has continued to use the old Fieldcrest Wastewater Treatment Plant to treat the sewage from their operations. In late 2017, they asked that the City provide sewer to their facilities. To meet the need to provide sewer to the MGM Warehouse on New Street, the City intends to construct a large pump station on property that will be donated to the City behind the warehouse. Eden Real Estate Associates will donate approximately 25 acres of land and the old Fieldcrest Mills wastewater treatment plant to the City. After two years of work on this logistics of making the donation, we are now in the final days approaching the closing for this property. A considerable amount of design work has been done already and we will move to complete plans and specifications as soon as the property closes. This new pump station will be funded by a grant of \$997,000 from the North Carolina Commerce Rural Infrastructure Authority. This new pump station would allow the City to consolidate the Weil McLain Pump Station and possibly the New Street Pump Station in the new proposed pump station. The new Pump Station will serve the warehouse operations and possibly the adjacent industrial sites, if a non-water intensive industrial user decides to build on the newly acquired industrial property co-owned by the City and County. Large water users would require significantly larger facilities. If a large water user does build there, the large tract of land being donated to the City could serve as the future site for a wastewater treatment plant or an even larger pump station with construction of a new larger sewer force main.
- The Special Appropriations budget for the Water and Sewer Fund is \$3,920,200. This is an increase of \$43,100 or approximately 1.11% when compared to the current year budget of \$3,877,100. The main reason for the increase is an increase under *Contribution to G/F – Adm. Charges*. This is where the Water and Sewer Fund reimburses the General Fund for the pro-rated expenses attached with various water and sewer related expenses that are expensed in the General Fund.
- The Contingency budget for the Water & Sewer Fund is \$400,000 for FY 2020-21. This is a decrease of \$100,000 or approximately 20.00.% when compared to the current year budget of \$500,000.

- The large capital outlay and small capital outlay requests portion of the budget document outlines all of the capital outlay requests that have been included for funding and are included in the Water & Fund. A total of \$1,289,000 is included in the FY 2020-21 budget. A listing of the capital outlay items included for funding within the Water & Sewer Fund is as follows:

<u>Item & Department/Division</u>	<u>Included</u>
Streaming Current Meter – Water Filtration	\$ 11,000
Severe Problem Waterline Replacement - Water Construction	\$ 10,000
Glovenia Street Waterline Replacement - Water Construction	\$ 70,000
Remediation Sanitary Sewer Related Waterline Replacement – Water Construction	\$ 75,000
Remediation Sanitary Sewer Related Water Tap Replacement – Water Construction	\$ 50,000
NC DOT U-5893 Related Waterline Replacement - Water Construction	\$ 30,000
Small Booster Pump Station – Jackson Street - Water Construction	\$ 40,000
Water Valve Replacement of Insertion Work - Water Construction	\$ 10,000
Maryland Avenue Waterline Replacement – Design Only - Water Construction	\$ 20,000
Circle Drive Waterline Replacement – Design Only – Water Construction	\$ 20,000
Bridge Street Waterline Replacement – Water Construction	\$ 28,000
Maple Lane Water Line Replacement – Design Only - Water Construction	\$ 15,000
Circle Drive Phase 2 Waterline Replacement – Design Only – Water Construction	\$ 10,000
NC DOT B-5737 Related Waterline Replacement – Water Construction	\$ 10,000
New Street Sewer Improvements Project – Sewer Construction -- Grant Funded	<u>\$ 890,000</u>
Total	\$1,289,000

- During the next two years, we will be undertaking a significant amount of water and sewer infrastructure work in order to meet the requirements of the EPA-AOC. It is projected that we will be spending more than \$40,000,000 for work that will be complete the next two years associated with the EPA Administrative Order of Consent (AOC), the Mega Park Waterline Extension Project, and improvements at our Water Filtration Plant, Wastewater Treatment Plant as well as our distribution and collection system. The extremely high original bids for the EPA Sewer Remediation Work has resulting in our efforts to reduce cost of the project and extend the projects out over more time in which to acquire funding through grants and low interest loans. The current bidding situation and the high costs for projects may ultimately lead to the EPA Remediation Projects taking another 3 to 10 years to complete.
- The FY 2020-21 budget includes a projected utility service fee payment to the General Fund from the Water and Sewer Fund in the amount of \$2,023,500. This is an increase of \$44,400 or approximately 2.24% when compared to the current year budget of \$1,979,100. It is very important to remember that this is nothing more than the Water and Sewer Fund reimbursing the General Fund for the pro-rated expenses attached with various water and sewer related expenses that are expensed in the General Fund. If this transfer was ever stopped, new line items and expense departments/divisions would need to be created within the Water & Sewer Fund to cover all of these expenses because the Local Government Commission and our independent auditing firm would have a serious problem with General Fund revenues being used to subsidize expenses associated with the Water & Sewer Fund services and activities. In fact, the financial reporting standards required by the state and other agencies direct that the funds being used to pay for various water and sewer related expenses expensed in the General Fund be allocated back as an administrative charge to the appropriate General Fund department/division providing the service to the Water & Sewer Fund. Due to the EPA – Administrative Order of Consent (AOC) Capital Project, Mega Park Capital Project, and other various priorities and needs within the Water & Sewer Fund, current and additional staff members assigned to the General Fund will be required to spend substantially more time on Water & Sewer related tasks during FY 2020-21 through at least FY 2022-23. The actual breakdown of the administrative charges for FY 2020-21 is as follows:

<u>Department/Division</u>	<u>Amount to Be Offset</u>
Governing Board	\$ 59,500
Finance & Human Resources	\$ 334,700
Economic Development	\$ 75,200
Information Technology	\$ 236,800
Facility and Grounds	\$ 454,600
Engineering	\$ 285,300
Streets	\$ 340,700
Planning & Inspections	\$ 120,800
Fleet Maintenance	<u>\$ 115,900</u>
Total	\$2,023,500

EPA Administrative Order of Consent

- Since 2001, the city has spent over \$46,161,593 (through March 31, 2019) on improvements to our sewer collection system related to battling inflow/infiltration (I/I) and reducing our problems with SSOs.
- Despite our extensive investment and work, the Environmental Protection Agency (EPA) does not tolerate ANY wastewater overflows. They have a zero-tolerance policy, despite it being nearly impossible to stop all wastewater overflows when you have sudden and significant rainfall. The city is at the mercy of this federal agency. If it does not comply with this unfunded mandate, the city risks daily fines of up to \$37,500 for each violation as well as possible criminal penalties.
- In early 2017, the EPA approved the remediation plan submitted by the City and on March 18, 2017; the clock began on the five-year implementation period for fulfilling our mandated obligations in relation to the EPA Administrative Order of Consent (AOC). The EPA AOC must be completed by April 21, 2022.

- On March 21, 2017, City Council approved the creation of a Capital Project Fund for the EPA AOC Sewer Project in the amount of \$33,725,600. It was noted that prior to March 2017, a total of \$15,391,673 had already been spent on this unfunded federal mandate. At that point in time, the funding to date included:

• 0% and low interest loans	\$10,961,507
• Principal forgiveness loans	\$ 4,034,000
• Eden pay-as-you-go funding	<u>\$ 396,166</u>
Total	\$15,391,673

It was also noted that the remaining work had a projected cost of \$33,725,600 at that point in time, and thanks to the NC Connect Bond, funding for the remainder of this work would come from the following:

• NC Connect Bond Grant	\$16,666,000
• NC Connect Bond Loan @ 0%	\$15,000,000
• Eden pay-as-you-go funding	<u>\$ 2,059,600</u>
Total	\$33,725,600

- The City Council voted to transfer \$2,059,600 to this newly created capital project fund in March 2017. An additional \$1,000,000 was allocated in FY 2017-18. Since the inception of this capital project fund in 2017, the “Total Expenditures” for this project as of June 30, 2019 equaled \$4,322,929. The Fund Balance in this fund on June 30, 2019 was \$1,675,243.
- Last November the bids for our EPA Remediation Project come in very high. Instead of being under \$33,000,000 for doing all the projects based on the estimates when they were designed, the bids totaled \$49,000,000. These bids were a matter of contractors currently having all the work they want and are submitting higher bids than two years ago. We immediately begin to redesign the work to barebones projects in order to get the projects back in line with funding available. Using new redesigned plans, we negotiated with the low bids and trimmed the cost to get 8 phases of the 10 phases done for the funding we currently have. We are applying for ASADRA Funding program that was created for reinforcing flood prone facilities often damaged by flooding and Hurricanes. Two of our projects fit these

criteria. The cost for all projects is currently estimated at \$40,000,000. With the City \$2,000,000 match we will be \$6,000,000 more. If we receive funding from ASADRA we will be 3 to 4 years from completion of our EPA Administrative Order of Consent. We have tried to get time extensions from the EPA or be transfer to the State of North Carolina for finish the monitoring of our order with more time allowed. EPA was reluctant to do anything for us until they know if we get the ASADRA fund in July. If we don't get funding they may hand us off to NC DEQ to monitor the completion of our remediation plan possibly with 5 to 10-year compliance schedule.

- The tentative projected schedule of construction for the remaining EPA AOC Projects (8 of 10 phases in remediation plan) moving forward is as follows:

<u>Task</u>	<u>Project Date</u>
Advertise, Receive Bids, Submit Bids	September 2019
Authorization to Award Bids	January 2019 – February 2020
Notice to Proceed	March 2020 – April 2020
Construction Completion	September 2021 – February 2022
Project Closeout and Completion	Before April 22, 2022 (EPA – AOC Deadline)

The remaining projects to complete of the 10 phases for which funding was not available are to be completed as funding becomes available. The staff applied for ASADRA Funding in April and we expect to learn in July, if we were awarded grants, loans or both for working on additional required projects.

Mega Park Waterline Extension Project

- On March 21, 2017, City Council approved the creation of the Mega Park Waterline Capital Project Fund in the amount of \$18,489,600. On November 20, 2018, the City Council approved an amendment to the amounts previously authorized on March 21, 2017. Due to a reduction in the size of the proposed waterline (30-inch to 20-inch water line that will supply a predicted water demand of 6-7 million gallons per day) and additional grants that have now been awarded, the projected cost and funding sources for this project have changed as follows:

Revised Estimated Project Cost as of November 2018:	\$7,072,900
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Projected Funding Sources as of November 2018:

Drinking Water Reserve Grant	\$1,018,225
Economic Development Administration (EDA) Grant	\$2,000,000
NC General Assembly Legislative Grant	\$1,000,000
Loan @ 0% Interest	\$3,000,000
Loan @ 1.53% (maximum rate)	<u>\$ 54,675</u>
Total	\$7,072,900

- The City Council voted to transfer \$500,000 to this newly created capital project fund in March 2017. Since the inception of this capital project fund, the “Total Expenditures” for this project as of June 30, 2019 equaled \$358,291. The Fund Balance in this fund on June 30, 2019 was \$141,709.

- The schedule of construction for the Mega Park Waterline Extension Project (Outside the City Limits Portion) is moving forward as follows:

<u>Task</u>	<u>Project Date</u>
Notice to Proceed	June 2019
Project Closeout and Completion	June 2020

- The tentative projected schedule of construction for the Mega Park Waterline Extension Project (Inside the City Limits Portion) moving forward is as follows:

<u>Task</u>	<u>Project Date</u>
Notice to Proceed	June 1, 2020
Project Closeout and Completion	January 30, 2020

There was significant Grant and Low Interest Loan Money still available due to the extreme favorable low bid we received on the Outside the City Limits Portion of this project. At the November Council Meeting, Council authorized the Staff to use up to \$300,000 of available debt service to continue the construction on the Inside the City Limits Portion of the Project. This will maximize the receipt of grant funding as well as low interest loan funding that is available to the City for this water line project.

EPA Administrative Order of Consent & Mega Park Waterline Extension Project

- The combined projected total cost for the EPA Administrative Order of Consent (AOC) Sewer Capital Project and the Mega Park Waterline Capital Project is \$56,190,173. A total of \$15,391,673 had been spent prior to March 2017 leaving a combined remaining total cost of \$40,798,500. We are pleased that:

\$20,684,225 (approximately 50.70%) = grants

\$18,000,000 (approximately 44.12%) = 0% loans

\$ 54,675 (approximately 0.13%) = max interest rate of 1.53% loan

This leaves a balance of \$2,059,600 or approximately 5.05% to be funded from the Water and Sewer Fund.

- We currently make a combined principal/interest payment of \$1,251,000 on \$14,375,755 in loans that were taken out during 2007 and 2008 with an average interest rate of 3.73%. These loans will be paid in full at the conclusion of FY 2021-22. One of the funding strategies we identified previously and intend to pursue is to roll-over this existing \$1,251,000 in debt service payments that is already built into our existing rate structure and will become available for re-appropriation in FY 2022-23. These funds will be more than sufficient to cover the \$903,194 in future debt service payments for the 20-year loans associated with the EPA Administrative Order of Consent (AOC) and the Mega Park Waterline Extension Project.

Water & Sewer Rates

- The Water & Sewer Fund is an enterprise fund which means that annual revenues must (at a minimum) equal annual expenditures. If the operational costs, debt service costs and capital outlay costs are exceeding the amount of revenues being generated the City Council needs to raise its rates accordingly and/or reduce its costs accordingly. This is consistent with what the auditors and Local Government Commission (LGC) previously communicated to the City during the 1990s' when annual expenditures traditionally exceeded annual revenues and little money was being spent on capital outlay initiatives.

- Since 2006, Eden has lost nearly 1,500 jobs and approximately **\$4,893,691** in **NET** water/sewer revenue per year as a result of four industry closings:

Parkdale Mills (11-01-06)
 Liberty Textiles (07-31-07)

Hanes Brand International (02-05-09)
 MillerCoors (09-01-16)

Our industries were subsidizing our residential rates and our rates prior to any of these closings were far below the statewide averages in both North Carolina and Virginia. Once these industries closed, the amount of water/sewer expenses the City was capable of eliminating was minimal and essentially restricted to just electricity and chemicals.

- A review of the drastic reduction in billable water and sewer usage since the first closing outlined above indicates the following:

<u>Fiscal Year</u>	<u>Billable Water</u>	<u>Billable Sewer</u>
2005-2006	3,150,306,200 Gallons	1,769,763,100 Gallons
2018-2019	791,932,900 Gallons	449,125,638 Gallons
	74.86% Reduction	74.62% Reduction

- In just the past eight years our average residential gallons used per month has decreased by 845 gallons per month or by approximately 18.01%.

01/01/2010 to 12/31/2010	Average Monthly Residential Usage was 4,691 gallons per month
01/01/2019 to 12/31/2019	Average Monthly Residential Usage was 3,333 gallons per month

All of this data is very troubling because reduced usage equals less revenue to address the EPA Administrative Order of Consent (AOC) (an unfunded mandate from the federal government), the water line extension project to serve the Mega Park, 2” waterline replacement projects and other capital needs facing our water and sewer system.

- The current average water and sewer rates (4,000 gallons of residential usage) being charged here in Eden for customers living inside our corporate limits compared to the statewide average and rates being charged in other communities within Rockingham County is as follows.

<u>Community</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Eden – (Since 1/1/16)	\$32.71	\$37.72	\$ 70.43
Madison	\$35.88	\$40.33	\$ 76.21
Mayodan	\$24.00	\$24.00	\$ 48.00
Reidsville	\$16.31	\$40.07	\$ 56.38
Rockingham County	\$55.00	\$48.00	\$103.00
Stoneville	\$38.01	\$38.01	\$ 76.02
Dan River Water	\$52.00	\$-----	\$ 52.00
N.C. State Average	\$30.50	\$37.80	\$ 66.43

** Based on 4,000 gallons of usage per month inside corporate limits and information gathered by Eden Director of Finance and Personnel – April. The NC State averages are from the 2020 SOG NC Water and Wastewater Rates Dashboard. Also, note that Dan River Water represents a water only figure.*

- On November 17, 2015, the City Council initially voted to increase water and sewer service rates effective September 1, 2016 but that increase has been delayed now several times. In the current FY 2019-20 budget the rate increase was delayed yet again until January 1, 2021. The rate increase would equal \$10.32 per month for a customer that uses

4,000 gallons per month (our average customer uses 3,846 gallons/month). There has been **NO** increase since January 1, 2016.

<u>Fiscal Year</u>	<u>Water Flat Rate</u>	<u>Water per 1,000 Gallon Charge</u>	<u>Sewer Flat Rate</u>	<u>Sewer per 1,000 Gallon Charge</u>	<u>Water & Sewer Bill @ 4,000 Gallons per Month</u>
Current	\$12.35	\$5.09	\$11.72	\$6.50	\$70.43
01-01-21**	\$14.85	\$5.93	\$14.22	\$6.99	\$80.75

** This water rate increase would be delayed until 1-1-22 if this Budget is Approved.

- The FY 2020-21 budget **ELIMINATES** the 14.65% average (4,000 gallons per month) water service and sewer service rate increase (\$70.43 to \$80.75) initially approved by the City Council on November 17, 2015 that was due to become effective now on January 1, 2021. Specifically, it is recommended this increase be **DELAYED** again until January 1, 2022 unless otherwise decided by the City Council at some point in the future between now and then.
- The only reason we are able to fund the necessary appropriations for FY 2020-21 without the previously approved water service and sewer service rate increases is due to the availability and use of additional fund balance we anticipate receiving during the current FY 2019-20 budget year from Duke Energy for the treatment of leachate.
- The June 30, 2018 audited financial statements indicate the combined “Water Sales” and “Sewer Charges” increased by \$2,544,977 or approximately 25.27% from \$10,072,016 in FY 2017-18 to \$12,616,993 for FY 2018-19. However, without the \$3,386,610 in revenues from Duke Energy for the treatment of their leachate, there would have been a year-to-year combined reduction of \$841,633.
- Unfunded mandates set forth by the state and/or federal government continue to place an undue burden on our citizens and the water and sewer rates that are required. It is important to note these are not projects initiated by the Mayor, members of City Council or city staff. However, they are projects that **MUST** be completed due to the actions taken by either the state or federal government. The costs associated with unfunded mandates such as the

EPA Administrative Order of Consent (AOC) (sewer system) and the Disinfection/Disinfection Byproducts Regulations – bromide/trihalomethane issue (water system) have required substantial sums of money in order to achieve compliance over the course of a several-year time period.

- During the past six years, the City of Eden has been awarded **\$56,684,655** in grants and 0% or low interest loans for various water and sewer related projects that have already been completed, are currently underway, and will be completed over the course of the next few years. Of this total, \$28,309,039 or 49.94% is in the form of grants or principal forgiveness loans **that do not have to be repaid!** Imagine where our water and sewer rates would need to be if we had not been fortunate enough to receive all of this funding. A special note of thanks to Mr. Terry Shelton, Interim City Manager, and Mr. Mike Dougherty, Director of Economic Development. They have done a tremendous job at securing outside funding to meet many of our water and sewer related capital needs.

Self-Insurance Fund – Internal Service Fund

- 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 \$55,000 once the one-time aggregating specific corridor of \$155,000 has been met. Once the one-time aggregating specific corridor has been met, the reinsurance carrier reimburses any excess above \$55,000 claimed on any individual to the City unless the reinsurance carrier has assigned a pre-determined laser on a specific individual due to an existing condition and/or previous claims history. The lifetime maximum per covered individual is currently unlimited.
- According to the City’s audit for the year ending June 30, 2019 the total expenditures for FY 2018-19 increased by \$387,889 or approximately 12.80% from \$3,030,537 for the year ending June 30, 2018 to \$3,418,426 for the year ending June 30, 2019 (actual claims = \$2,870,686 and fixed costs = \$547,740). Total revenues for FY 2018-19 increased from \$3,057,269 for the year ending June 30, 2018 to \$3,496,349 for the year ending June 30, 2019. This translates into an increase of \$439,080 or approximately 14.36%. Finally, the retained earnings “fund balance” within the Self Insurance Fund showed an increase of \$78,919 or approximately 39.69% from \$198,814 in 2018 to \$277,733 in 2019. The FY 2020-21 budget appropriates \$119,200 of this fund balance. This will leave a remainder of \$158,533 in fund balance for unexpected large claims.

- For FY 2020-21 it is projected that our total expected fixed costs will equal \$692,700 and our total expected claims would equal \$2,831,800 for a combined total of \$3,524,500 in expected costs based on estimates we received from Mr. Bill Kiser, Pinnacle Benefit Resources and Healthgram, Inc. As we have done in the past, the self-insurance fund includes the necessary funding to cover the expected costs of \$3,524,500 that have been provided. If additional funds become necessary then a transfer of funds or budget amendment will be needed at some point prior to June 30, 2021.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts or major capital projects) that are legally restricted to expenditures for special purposes. The City will have one (1) Special Revenue Fund during FY 2020-21: Municipal Service District Tax Fund.

Municipal Service District Tax Fund

- The Municipal Service District Tax Fund includes the tax that was voted on by the Washington Street and Draper Village Merchants and is designated for various projects within those areas. It is essentially a “pass through” fund and does not involve the appropriation of any funds from the taxpayers of Eden. This fund had a June 30, 2019 fund balance of \$31,597, which is an increase of \$5,263 or approximately 19.99% when compared to the June 30, 2018 fund balance of \$26,334. The FY 2020-21 budget includes \$9,800 in anticipated revenues (\$7,800 – Leaksville, \$1,900 Draper and \$100 Interest) and \$9,800 in projected expenses related to this fund.

Fiduciary Funds

Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City currently maintains one fiduciary fund: The Agency Fund - Runabout Travel Club Fund.

The Agency Fund – Runabout Travel Club Fund

- The Agency Fund – Run-About Travel Club Fund is custodial in nature and does not involve the measurement of operating results. The Run-About Travel Club Fund accounts for money deposited with the City of Eden Parks and Recreation Department for those individuals participating in the programs of its department sponsored club. The fund balance on June 30, 2019 equaled \$16,629, which is a decrease of \$2,904 or approximately 14.87% from the amount on hand as of June 30, 2018, which was \$19,533. Again, this is merely a fund for its members, contributing monies for scheduled activities and trips.

The Agency Fund – Run-About Travel Club Fund is merely a “pass through” fund and does not involve the appropriation of any funds from the taxpayers of Eden. The FY 2020-21 budget includes \$20,000 in anticipated revenues and \$20,000 in projected expenses related to this fund.

Long-Term & Short-Term Debt

- The combined total outstanding principal and interest debt for the City at June 30, 2019 was \$19,784,551 compared to \$19,292,177 on June 30, 2018. This is an increase of \$492,374 or approximately 2.55% compared to the previous year. This is made up from two numbers, the Governmental Activities debt, which was \$5,202,796, and the Water & Sewer debt, which is \$14,581,755.

- The audited financial statements for June 30, 2019 indicate the legal debt margin for the City as of June 30, 2019 equaled \$71,761,909 up from \$70,374,122 on June 30, 2018. As each of you are aware, the N. C. General Statutes limits the amount of general obligation debt a unit of government can issue to eight (8) percent of the total assessed value of taxable property located within the government’s boundaries.

- The budget includes the following funds to pay for the long-term debt service related to:
 - 2007 \$7,500,000 Loan for Water & Sewer Fund projects
 - 2008 \$6,875,755 Loan for Water & Sewer Fund projects
 - 2008 \$1,228,000 Loan for General Fund projects
 - 2009 \$ 569,704 Clean Water Loan (\$284,852 principal forgiveness)
 - 2012 \$2,154,934 Northern Smith River/Dry Creek Project loan (\$1,000,000 principal forgiveness)
 - 2013 \$2,969,397 Kuder Street Phase 3 loan (\$1,000,000 principal forgiveness)
 - 2013 \$4,229,128 Tanyard Branch loan (\$1,000,000 principal forgiveness)
 - 2015 \$3,762,982 Matrimony Creek loan (\$1,000,000 principal forgiveness)
 - 2016 \$1,500,000 Loan for Water & Sewer Fund projects.
 - 2017 \$1,100,000 Loan for Powell Bill/Street Resurfacing projects
 - 2019 \$945,700 Loan for General Fund and Powell Bill/Street Resurfacing Projects

A breakdown of the payments related to this long-term debt services is as follows:

<u>Category</u>		<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total</u>
<u>Payment</u>				
2007	\$7,500,000 Loan (W/S) – Year 14 of 15	\$ 620,800	\$ 43,100	\$ 663,900
2008	\$6,875,755 Loan (W/S) – Year 13 of 14	\$ 555,400	\$ 31,700	\$ 587,100
2008	\$1,228,000 Loan (G/F) – Year 13 of 14	\$ 109,700	\$ 6,300	\$ 116,000
2009	\$ 284,852 Loan (W/S) – Year 11 of 20	\$ 15,600	\$ 0	\$ 15,600
2012	\$1,154,934 Loan (W/S) – Year 8 of 20	\$ 57,800	\$ 18,400	\$ 76,200

<u>Category</u>		<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total</u>
<u>Payment</u>				
2013	\$1,969,397 Loan (W/S) – Year 7 of 20	\$ 98,500	\$ 0	\$ 98,500
2013	\$2,658,812 Loan (W/S) – Year 6 of 20	\$ 161,500	\$ 0	\$ 161,500
2015	\$2,762,982 Loan (W/S) – Year 5 of 20	\$ 148,400	\$ 0	\$ 148,400
2016	\$1,500,000 Loan (W/S) – Year 5 of 15	\$ 92,200	\$ 28,300	\$ 120,500
2017	\$1,100,000 Loan (P/B) – Year of 15	\$ 64,200	\$ 25,800	\$ 90,000
2019	\$ 945,700 Loan (G/F) – Year 2 of 15	<u>\$ 50,400</u>	<u>\$ 32,600</u>	<u>\$ 83,000</u>
	Total	\$1,974,500	\$186,200	\$2,160,700

- The budget includes the following funds to pay for the short-term (5 years or less) installment purchase debt service related to a variety of different installment-purchase agreements. A breakdown of these payments is as follows:

<u>Department/Division</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total Payment</u>
Information Technology (G/F)	\$ 48,100	\$ 8,500	\$ 56,600
Facilities & Grounds (G/F)	\$ 108,700	\$ 9,900	\$ 118,600
Police (G/F)	\$ 179,200	\$ 21,000	\$ 200,200
Fire (G/F)	\$ 132,100	\$ 20,900	\$ 153,000
Streets (G/F)	\$139,800	\$ 23,000	\$ 162,800
Solid Waste (G/F)	\$190,600	\$ 18,300	\$ 208,900
Billing & Collections (W/S)	\$ 5,100	\$ 700	\$ 5,800
Collection & Distribution (W/S)	<u>\$193,300</u>	<u>\$ 20,600</u>	<u>\$ 213,900</u>
Total	\$996,900	\$122,900	\$1,119,800

Interest Income

- It is projected that our interest income in FY 2020-21 will be a combined \$251,300. This is a decrease of \$44,125 (\$295,425 to \$251,300) or approximately 14.94% when compared to the actual revenues received during FY 2018-19.

Concluding Remarks

As a staff, we are a team of employees that shares values, attitudes, and a common purpose. We recognize our citizens as our central focus and we are committed to the provision and delivery of the highest level of public service. We believe a sense of team within and across departments/divisions is critical and we are continually sharing information and ideas in a spirit of flexibility and cooperation. We understand and embrace the fact that teamwork is a dominant factor in our continued success.

Achieving a balanced budget has been extremely difficult but we believe this budget continues the efforts we have made in these hard economic times to continue the level of services that we have provided in the past and puts us in a good position to meet the challenges in our future.

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 seventeen plus years as voiced by representatives of our independent auditing firm of Rouse, Rouse, Rouse and Gardner, L. L. P. On the other hand, the amount of new revenues we are generating on an annual basis is not even close to being sufficient to cover our annual operating expenses and the multitude of capital outlay/improvement needs – let alone various economic development and quality of life initiatives, and consistent pay raises for our employees.

Over the past eighteen 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 2020-21 recognizes this fact and reflects a level of spending that is commensurate with the current economic climate as well as the most pressing 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 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 for several years now 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 this past budget year has been defined by the many challenges we have faced, the City is ready to begin a new chapter of prosperity of being a place where our citizens want to life, work, and play.

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, Assistant Director of Finance for their contributions, dedicated efforts and hard work related to the assistance they provided. I am very appreciative of their efforts. Additionally, it is appropriate to express credit and appreciation to each department/division head for their constructive efforts, which also contributed to the preparation of this document. Finally, I would like to thank the Mayor and each member of City Council for your patience, words of encouragement and guidance throughout the entire budget process.