

Memorandum



To: Mayor and Town Council

From: Ryan Spitzer

Date: 6/10/2022

Re: FY 2023 Budget

Overview – New Information:

The FY23 Budget has stayed relatively the same as the outlined in the Public Hearing last month. The only change is the increase of PD Salary line item from \$4,658,951 to \$4,900,000. This was necessary because in the original budget documents it was discovered that officer salaries were calculated on a 2,080 hour work year instead of 2,184 hours. This expense was captured by increasing Sales Tax revenue from \$2,175,000 to \$2,416,049. We feel this is will still be within the sales tax revenue captured in the current fiscal year. The Town has received \$2,100,000 in sales tax through May 2022, which means we still have two months of collections left.

This change will increase the total overall budget to \$34,643,751. The General Fund Budget from \$16,616,394 to \$16,857,443 or 1.4%.

I would like to thank each of the Department Managers, as they have been an integral part of the budget development process. Each department manager really looked at their respective budgets and presented to me items that were necessary for the daily operation of their department.

I would also like to thank each of the Town Council members for their direction and insight into how they envision both the short and long-term future of the Town. Your knowledge and input has been a tremendous resource for us as we worked through the development of the proposed budget. We are excited about the new details provided in this budget, and we feel confident that the Town is taking steps forward and improving upon what is truly a great place to live, work, and play.

Overview - Previous Information:

For the upcoming Fiscal Year staff worked hard to look at the Strategic Priorities that Council set during the Strategic Visioning Retreat and budget towards those goals. The total budget is \$34,402,702. This equates to a 3.7% increase over last year's budget when taking out the debt costs for the new town hall and library building. The major factors for this increase are due to increases in goods and salaries due to inflation and capital improvement needs.

Revenues are expected in increase from last year due to our recovery from COVID-19. Sales taxes are expected to come is well above the town's budgeted numbers for FY22 and we believe

this will carry forward to the upcoming fiscal budget. Town staff also anticipates lodging taxes to begin to increase slowly from what we are seeing this year. The FY23 Budget keeps the tax rate at \$0.33. Some fees in the General Fund, CLEC, and ILEC will be increasing. The wholesale rate paid by the town for electricity will decrease this year which means the Electric Fund will not have a fee increase this year. In fact, trends show a fee increase will not have to happen for two years. These fees are spelled out in our agreement with NCMPA1, the agency that we are a part of to buy wholesale power. These increases are reflected in the REPS Schedule.

Expenses have stayed relatively flat from last year for most departments. For expenses that have risen the Town is also seeing an increase in grant funds and other agency contributions to offset these costs. For example, of the \$1.8 million loan payment for the new town hall and library the town will see 42% of this come back as a lease payment from the Library System. As always, the Town put a large emphasis on Public Safety in our budget which is reflected by these two departments being 45% of General Fund spending. Contracts for Public Safety continue to increase each year.

The FY23 Budget continues to make investments in capital projects that have been pushed aside in years past. To guide this spending, we are relying on the planning documents that were completed in FY21 to include the PARC Masterplan and the Mobility study. The budget has \$500,000 for a new turn lane on Lowry St. that will help traffic flow and over \$700,000 towards sidewalk and other mobility projects to help connect neighborhoods to downtown. Over the past several years residents have consistently stated that sidewalk networks and mobility around town were their number one priority, so staff has tried to budget towards these goals.

During the Public Hearing Council will have a chance to listen to citizen comments on the budget. After the Public Hearing Council can discuss the budget and make any necessary changes they see as long as taxes, fees, and rates do not increase.

Electric Fund

REPS Rider – This is a generic version of the REPS Rider with rates updated to match Wholesale Rate Rider 15 as approved by the Rate Committee currently pending approval by the Boards. Please update to this version of the REPS rider in order to keep retail revenue recovery consistent with wholesale power costs.

Renewable Energy Credit Rider 1 (RECR-1) – This is a generic RECR-1 rider for your consideration typically used for a Buy All/Sell All meter configuration. This Rider, and the recommended rates, can be customized for your city/town. The recommended rates, in the attachment, are based on Agency level avoided costs. Please contact us if you need assistance. Please consider incorporating this into your rate making and/or budget process, as appropriate, prior to the start of the fiscal year. Additionally, we recommend you consider providing your customers with several renewable rate options either through a Net Billing Rider or advanced rates structures like Time-of-Use (TOU). Implementing advanced rate structures require advanced metering infrastructure like AMI.

Attachments:

Budget Ordinance

Proposed Fees – General Fund, Electric (Fees, REPS, RIDERS), Telephone, Internet

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