

Office of the City
Manager



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NORTH CAROLINA
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PO Box 190

Albemarle, NC 28001

May 1, 2023

The Honorable Ronnie Michael
& Members of the City Council
Albemarle, North Carolina

Dear Governing Board Members:

I am pleased to submit for your review and consideration the proposed Budget for the Fiscal Year beginning July 1, 2023, totaling \$81,407,988. I am happy to report the City will once again discharge all its financial obligations in the current fiscal year and that I can present a budget to do the same. The proposal submitted for your consideration reflects an overall 1.43% increase from the current Fiscal Year Adjusted Budget Authority (adjusted budget includes amendments to reflect the current authority). I anticipate the City will close the current fiscal year in a strong financial position with solid balances in our eight funds. Following the planned draw-down of reserves to fund the construction of the Albemarle Business Center, our cash position remains healthy and continues to allow the City to address projects for the betterment of our community. This demonstrates our skilled financial planning and the dedication of the City's staff in working to meet the needs of our community. With the added support of elected officials, we are ensuring that we fulfill our commitments and remain within designated financial parameters. We will continue to address routine needs and many significant initiatives to continue to transform our City, all while presenting a budget that supports our employees. It should be noted that many ongoing initiatives, such as the construction of the Albemarle Business Center, are within project budgets and therefore not a part of the annual operating budget. Any that fall into this category have previously been approved by the governing board.

The annual development of a balanced budget to meet the needs of our citizenry is a daunting task. We continue to experience the rising cost of doing business and the unique and ever-growing demands placed on the City of Albemarle. A long-term challenge continues to be the restrictive revenue structure for municipalities in North Carolina limiting revenue options which places a heavy reliance on property taxes. As always, I ask that you please pay close attention to the revenue line items in the General Fund. By far the largest sources of revenue are property and sales taxes, with the City only possessing direct control over the property tax rate. Even faced with these challenges, City staff does an outstanding job in controlling costs and meeting needs. Additionally, the Mayor and City Council have committed to growing the local economy, local employment, and tax bases, all while increasing opportunities and the quality of life for our residents. Strategic leadership initiatives provide the needed structure to guide and support the positive changes. Our financial planning, budget preparation, and budget management have enabled the City of Albemarle to place significant plans and actions

into motion. Another critical step in accomplishing our goals has been the implementation of and adherence to the Strategic Plan. This budget supports many of the tactics identified in the 5 core goals of the Strategic Plan. Without question, our calculated efforts have permitted the City of Albemarle to systematically pursue and achieve what has been identified as most important to us and our City.

ACCOMPLISHMENTS

In FY 22/23 we continued to operate in the era of change and new challenges. Having just emerged from the difficulties of COVID, we are now experiencing growth and development pressures that are unprecedented in our history. According to a June 2022 article in the Stanly News & Press, a US Census Bureau report showed Albemarle growing in population more in the period reported than any other municipality within Stanly County. In fact, that report showed our population increase slightly more than all county municipalities combined. We have also experienced the benefits, but also significant administrative challenges of managing ARPA funding. We rely heavily on the tools and other resources necessary to do our jobs, which can present challenges. Nonetheless, we continued to provide the critical services of police, fire, electric, water treatment, wastewater treatment, landfill, roads, low-income housing, and others while keeping our employees and those we serve safe. We are rarely, if ever, asked to do less, while the pressure to do more to lead the community and support our citizens is ever-increasing.

The current fiscal year has included numerous key accomplishments. First, the City received an unmodified opinion (the highest opinion provided) in its annual audit report. The audit report also showed appropriate levels or increasing balances in the major funds. We received approval from the Government Finance Officer Association of our fifth ever (and fifth consecutive) Certified Annual Financial Report. This is an excellent reflection regarding City staff's professionalism and expertise in managing the complex financial operations of the City.

In fiscal year 22/23, development of the Albemarle Business Center continued. While a contractor constructs/installs the roadway, and water and sewer infrastructure, the City is coordinating the installation of the electric infrastructure. We previously completed the in-house improvements to the electric system from the west and are proceeding with the construction of the electric system throughout the ABC property. We were also awarded Golden Leaf Foundation funding for the development of a 15-acre site ready location at the Business Center and anticipate soliciting for bid before the close of the budget year. We also continued with the services of Retail Strategies to recruit new retail businesses and retain current ones to prevent leakage to other communities.

While no program was adopted by the governing body, the Finance, Public Works, and Administration Departments placed significant time and efforts into the development of a proposed stormwater utility and program during the most recent fiscal year. We were also successful in receiving grants to study Long Creek throughout the corporate limits. Many other projects were completed, such as the construction of parking lots at both the Residences

Apartments and First on Main Apartments. In the Albemarle Fire Department, we were able to fund the refurbishment of Ladder 11 and improve operational oversight and enhance succession planning with the creation of the Assistant Fire Chief position. The Police Department purchased 9 new patrol vehicles, a new K9, and acquired state of the art body cameras. The Parks and Recreation Department undertook the resurfacing of the Don Montgomery parking lot, greenway improvements, new park signage, entered into an agreement to bring rental kayaks for public use to City Lake Park, and secured the Uwharrie Wampus Cats in making Don Montgomery Park their home. The Planning and Development Services Department executed a contract for assistance with long-range comprehensive development analysis and planning. The Department also worked with seven private dilapidated structures as part of the City's minimum code removal process, with many more properties addressed through daily minimum code (those not requiring demolition), nuisance, and zoning enforcement. Fiscal year 22/23 also saw the satisfaction of principal and interest payments for the City Hall renovation and expansion project. Public Works is conducting its annual street preservation and maintenance program work, with the FY 22/23 project being the most significant street rehabilitation work to date as all funds are designated for milling and resurfacing activities.

The accomplishments and projects in the Enterprise Funds are equally impressive. In the Electric Fund we continued our pole inspection and replacement program in order to maintain our high level of system reliability. These efforts demonstrate the benefit of our locally owned and operated system when disasters occur, as we see the quick restoration of power (and excellent public communication with the assistance of our PIO). Our continued investment in the electric system makes this level of reliability and quality service possible, and accomplished with no recent electric rate increases, but in fact declining customer rates. The Electric Division is also playing a key role in the development of the Albemarle Business Center with the extension of the necessary electric infrastructure to the site. The City remains designated at the RP3 Diamond level from the American Public Power Association. This is the highest-level designation for the national RP3 award. Fiscal year 22/23 also saw the City's transition toward AMI metering (for both electric and water). The acquisition of transformers to keep pace with development has become an unexpected challenge, but a challenge we have managed. As a result, the City participated in a joint transformer purchase by leveraging the collective purchasing power of the Electricities membership to ensure we have an adequate number of transformers.

In the Solid Waste Disposal Fund, the City completed payments on the Landfill Employee Facility. This facility was constructed without outside lending. Instead, we utilized existing fund balance with a commitment to repay the borrowed amount and replenish the Landfill reserves. This commitment has been honored and completed.

The Water and Sewer operations saw the completion of the Phase 2 inflow and infiltration work and received unanimous NC Local Government Commission approval of the Phase 3 project (formerly phases 3, 4, and 5). We have continued pursuit of the Wastewater Treatment Plant conversion project for operational improvements and cost savings. The City upgraded and improved the NC Highway 73 force main for greater reliability and capacity as well as began the project to upgrade and replace Moss Spring Road water booster pump station. At

the Jack F. Neel Water Treatment Plant, we completed an engineering analysis of a potential plant expansion.

In Public Housing we continue to serve housing needs for all of Stanly County, as the programs operate as a County-wide service. Rehabilitation work was completed on the fire damaged units on Inger Street and the Department successfully passed the REAC inspection. Despite outside activities taking focus away from operations and services, the Department is moving forward with the next Capital Fund Program, which includes the first round of replacement of the original sewer infrastructure at Amhurst Garden. The Section 8 program received recognition within the public housing industry in their efforts to encourage greater landlord participation to improve housing opportunities for Section 8 Voucher holders.

GENERAL FUND - FISCAL YEAR 23/24

The proposed FY 23/24 Budget utilizes the taxable property value estimate provided by the Stanly County Tax Assessor of \$1,370,000,000. Once again, I am recommending no change in the existing property tax rate of 61-cents per \$100 of assessed value and the budget is constructed around this rate. One-cent on the property tax rate generates approximately \$133,852 at the current collection rate. The proposed General Fund Budget of \$22,267,586 is 11.02% greater than the FY 22/23 Adjusted Budget (adjusted budget includes amendments to reflect the current budget authority). There is an adjustment in the solid waste collection fee to reflect the contractual increase in the solid waste collection agreement. The budget is constructed with an increase of \$5.00 in the motor vehicle registration fee to support our ever-increasing funding of street maintenance and preservation activities. The budget does not include any increases in planning and zoning fees.

It is always worth noting where the funds we collect go and what property taxes provide taxpayers. Most citizens would be surprised to learn that the operations of the Fire and Police Departments alone account for 46.32% of the General Fund Budget expenditures. The total cost of these two Departments is \$11,954,194, while the proposed property tax rate generates revenues totaling \$8,164,966. The difference is \$3,789,228 and would therefore require a 28.31-cent tax increase in order for property taxes alone to fully fund just these two operations. While the City provides outstanding Police and Fire service and is proud to do so, this example demonstrates the importance of continuing to grow the economy and local tax base.

Initiatives in the General Fund portion of the proposed 23/24 budget allow the City to move forward with our core services and many of the most desired investment opportunity items. The budget makes provisions for the continuation of the services of Retail Strategies and Downtown Strategies for the recruitment and retention of retail businesses to prevent leakage to other communities. The General Fund budget contains a funding increase for street preservation and rehabilitation work. It provides for the acquisition of four Police vehicles, the replacement of mobile data terminals, additional rifles, and funding for the body cameras and the new Headquarters building are supported. The Police budget also includes the acquisition of a second K9 and a new traffic trailer. We will continue Comprehensive

Planning and growth management and analysis through the Planning and Development Services Department. In addition to significant capital purchases and improvements in Parks and Recreation, the Department will undertake an update to the Parks and Recreation Master Plan, as our offerings and the demands for recreational services have evolved significantly from the time of the last update. The Fire Department plans for continued facility repair and maintenance along with the overhaul and upgrades to an existing front-line engine and roof replacement at Fire Station 1.

With staff capacity being one of the five Goals of our Strategic Planning, and to support our employees in keeping pace with work demands, new positions are provided in the General Fund (and other funds noted later). The Police Department will be adding a new SRO position in FY 23/24 which will provide a dedicated officer for each elementary school and bring the City to the level of having one City SRO at each of the four Stanly County Public Schools in our corporate limits. The addition will also provide additional capacity outside of school operations. The Public Works Fleet Maintenance Division (a shared expense) budget includes funds for an additional fleet maintenance mechanic. Our Fleet Maintenance operations run efficiently and is a critical internal service impacting all City operations and a need for adding staff support exists. The re-establishment of the Assistant Parks and Recreation Director position has also been funded. The position will aid in the operation and oversight of ever-expanding programs and services which are not only provided during the traditional workday, but nights and weekends, and at a wide variety of locations. Additionally, in the last few years we have seen significant new offerings through Parks and Recreation or in conjunction with partners. Examples include the addition of the Albemarle Neighborhood Theatre, Food Truck Friday, greater responsibilities in community events and event planning, the Carolina Treetop Challenge, afterschool and tutoring programs, and most recently the partnership with the Uwharrie Wampus Cats. The position will also support the City's stated goal of succession planning. The Fire Department budget supports additional staffing and outfitting should our SAFER Grant application be approved. Finally, a paralegal is budgeted to assist the City Attorney operations by improving efficiency and expediting the service provided to all City operations, public records process, research, contract management, and other activities.

POWELL BILL FUND - FISCAL YEAR 23/24

Powell Bill funds are received from the State as a portion of the gas tax and are remitted to municipalities for road maintenance. The amount received is a combination of road mileage and population. The Powell Bill Fund is proposed at \$580,397 which is a 27.43% decrease from the current Fiscal Year Adjusted Budget (adjusted budget includes amendments to reflect the current budget authority). The notable difference from the previous year is due to the significant contribution in retained earnings from this fund included in the FY 22/23 budget that is not replicable in FY 23/24. Overall, the Powell Bill Budget does contain a share of the expense for our street preservation and maintenance program. When combined with the General Fund contribution, \$420,000 budgeted toward this endeavor. There has been significant State-level discussion of increasing State support for roads. If we receive funds at a level greater than what is currently known, a budget amendment can be made to appropriate the funds.

WATER & SEWER FUND - FISCAL YEAR 23/24

The Water and Sewer Fund Budget is proposed at \$15,068,406 and is 11.10% greater than the current Fiscal Year Adjusted Budget (adjusted budget includes amendments to reflect the current budget authority). The proposed budget does include a 3% water rate increase and 8% sewer rate increase. The disparate rate adjustments are once again proposed to move toward greater cost of service equity between water and sewer services. The overall need for rate adjustments is based on the significant investment the City continues to make in its system and the rising cost of doing business.

There are many needs and commitments addressed in the proposal. Beyond our typical operational and capital needs, significant issues for the Water and Sewer Fund (as well as the Electric Fund) are growth, the escalating costs of materials, and supply chain challenges. The budget continues a strategy of keeping on-hand supplies and materials necessary to support operations and services without delay. We also continue to fund inflow and infiltration (I&I) activities with the lining of manhole towers and the reconstruction of towers. We will purchase media filter material at the wastewater treatment plant, smoke test equipment to aid with a reduction in I&I, replace meter vaults for employee safety, as well replace vehicles and equipment. All treatment plants continue to see a significant increase in chemical costs, and for the second consecutive year, the corresponding chemical line items have increased significantly. Funding is provided to support Highway Water Treatment Plant 52 Plant security improvements at access points as well as significant rehabilitation of the front tank. The Systems Division will also conduct a needed water line replacement project on First Avenue and a sewer line replacement on Coble Avenue. The Water and Sewer Fund also provides for needed equipment replacement across all operations, with the most notable being the replacement of a boom truck (shared with Electric), right of way mowers, a dump truck, and a new sewer jet truck.

Overall, activities in the Water and Sewer Fund continue to make progress on many infrastructure goals and needs. While these initiatives can be costly, we pursue these for the long-term reliability, quality of product, and efficiency of our system, while maintaining affordable rates. Rates lower than the standard for similar services in our region.

ELECTRIC FUND - FISCAL YEAR 23/24

The Electric Budget is proposed at \$33,291,235 and represents a 6.58% decrease from the current year Adjusted Budget (adjusted budget includes amendments to reflect the current budget authority). The budget does not propose any across the board changes in electric rates. However, the budget does provide an 11% reduction in the Medium General Service consumption rate for improved market competitiveness. It is important to keep in mind the historical trends with our rate. The average City of Albemarle residential customer has had rates reduced by 15.5% in the last nine fiscal years (since FY 15/16). This is a large savings to

our rate payers. Declining rates are certainly not the norm for other utilities or in comparison to the cost of other goods and services in this same time frame. As a City, we are proud of what we have achieved with customer rates while remaining a Public Power Award of Excellence winner and a nationally awarded RP3 Diamond level system.

The Electric Fund Budget allocates funding for the second phase purchase of AMI meters and supporting infrastructure. It also carries forward the purchase of a bucket truck purchase approved in the current fiscal year but where we were not able to secure a build slot. The budget reflects the expenditure of \$1,900,000 for the previously approved transformer purchase as we expect delivery in FY 23/24. We will be adding a lineworker position as the City is providing an instructor to the Stanly Community College Electrical Lineworker Program, and the payment received for this service will fund the new line position. The Electric Fund will also share the cost of an additional Customer Service Representative identified in a recent work study.

The proposal continues with system enhancements along the US Highway 52 South corridor, which is the area of greatest system reliability challenges. We will also fund additional 3-phase reclosers, the acquisition of equipment that is more appropriate than what we currently utilize for working in smaller spaces, such as back yards and other areas off the right of way. We will continue with our recently increased level of funding for the replacement of existing street lighting with LED lights. Supply chain challenges, the rising cost of materials, and growth issues are also considerations in the development of the Electric Fund Budget.

SOLID WASTE DISPOSAL FUND - FISCAL YEAR 23/24

The Solid Waste Disposal Fund is proposed at \$4,243,551 in FY 23/24, representing an increase of 10.77% from the FY 22/23 Adjusted Budget (adjusted budget includes amendments to reflect the current budget authority). There is no recommended change to the tipping fee for municipal solid waste (MSW) or the construction and demolition (C&D) disposal fee. There is also no proposed change in the \$1.00 per ton fee specifically designated for closure and post-closure costs. The budget as proposed carries out obligations without any appropriation of fund balance. The Solid Waste Disposal Budget includes principal and interest payments for the force main sewer leachate line and previous debt obligations for equipment. Funding to study the construction and demolition (C&D) cell at the Landfill is included as there is limited existing approved space and we are investigating the possibility of expanding in place.

PUBLIC HOUSING FUNDS - FISCAL YEAR 23/24

The Public Housing Section 8 proposal reflects a total budget of \$1,041,000 which is a 1.12% increase from the FY 22/23 Adjusted Budget (adjusted budget includes amendments to reflect the current budget authority), while the Conventional Public Housing Budget is proposed at \$1,585,661 and is a 21% decrease from the FY 22/23 Adjusted Budget (adjusted budget

includes amendments to reflect the current budget authority). Both housing program budgets consist primarily of federal funds and revenues related to tenant/resident rental payments. A majority of capital initiatives do not appear in the annual budget, but are a part of the Capital Fund Program (CFP) Budget. The CFP Budget follows US Housing and Urban Development guidelines and is presented and reviewed with Council as projects and expenditures are prepared. The Department will continue to address resident needs, improve operations, address routine apartment turnaround and maintenance as well and continuing the high level of grounds maintenance and appearance that we have observed recently.

HEALTHCARE FUND - FISCAL YEAR 23/24

FY 23/24 begins the seventh year of a self-funded health insurance program. The proposal reflects a total budget of \$3,330,152, which is no change from the FY 22/23 Adjusted Budget (adjusted budget includes amendments to reflect the current budget authority). The transition to self-insurance has allowed the City to retain all savings realized from year to year, rather than the achieved savings go to a private provider. One such benefit is the budget does not include any increase in the per person rates for the program, as we establish our own rates and funding levels. We have met our goals for a sufficient reserve in this Fund, which therefore provides the opportunity to review additional benefits. While not a part of the operating budget proposal, the City is investigating the possibility of creating a health center to further reduce costs and for improved employee health and well-being.

OVERALL

In all funds the budget provides for compensation adjustments, as there is a need to remain aggressive and competitive to attract and retain employees, a foundational objective of the Strategic Plan and approved Compensation Philosophy. The budget includes an across the board 6% cost of living increase for all employees as one measure toward this effort. We have also begun an annual study of salaries of positions for approximately 1/3 of the workforce and will make market adjustments where necessary. Finally, merit pay has been funded. In total, the budget provides an 8% increase in the funding for compensation to address the various pay needs. The budget also funds the fifth consecutive year of a mandated increase in the City's contribution on behalf of employees to the NC Local Government Retirement System.

The City of Albemarle is the most diverse operation in Stanly County with one of the most complex budgets. This challenge depends on the highly skilled professionals we are fortunate to have in our workforce. The sum of the budget and proposed activities will enable the City to perform its essential mission, keep us financially sound, provide quality services and service delivery, while also supporting our staff and their ability to carry out their responsibilities. Despite challenges and uncertainties, we continue to find ways to fulfill our duties and commitments to our citizens, businesses, and employees. I would like to express my appreciation to the entire City staff for their assistance in the development of a thoughtful and responsible proposal as well as for their efforts throughout the year to ensure we live

within our means and budget boundaries. This last year saw additional work for members of the Leadership Team with the incorporation of Strategic Plan activities. The work in this area is a year-round endeavor and adds to the emphasis on supporting staff capacity.

I particularly want to thank Finance Director Jacob Weavil for his role in the budget development. As the process has become more time-consuming and complex, Jacob has provided valuable assistance in analyzing all aspects of the budget and requests. Reviewing data to ensure we develop an effective and efficient budget has always been a large part of the process. Jacob's contributions have aided in arriving at well-informed budget decisions. The Mayor and City Council should be commended for their participation and input in the planning and goal setting activities to provided focus to the entire process. The FY 23/24 Budget includes initiatives that are the result of significant discussion, prioritization, deliberation, is reflective of the Strategic Plan, and in numerous ways represents our philosophy for the City. Much focus is placed on the budget itself, but budget management and compliance is a year-round, team effort. Finally, I want to thank the Mayor and City Council for the faith and trust placed in me to develop and manage the budget serving our residents, ratepayers, and the business community. This is a responsibility I do not take lightly and I continue to work diligently to maintain that trust. The results show each year in the evolution of our operations, achievement of goals and objectives, budget, and audit.

Copies of the proposed budget are being made available to the news media and copies for public inspection will be available at the City Hall, at the Albemarle Branch of the Stanly County Library, as well as on the City's website. A public hearing on the budget should be set for Monday, June 5 at 6:30 p.m.

Sincerely,

Michael J. Ferris
City Manager
City of Albemarle