



# City of Roanoke Rapids

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## FISCAL YEAR 2021-2022 BUDGET MESSAGE

May 4, 2021

Please refer to the proposed budget for Fiscal Year 2021-2022, which includes all operating and capital funds of the City of Roanoke Rapids.

The Local Government Budget and Fiscal Control Act mandates that every local government shall operate under an annual balanced budget. By definition, a budget is balanced when the sum of all estimated revenues and appropriated fund balance is equal to the sum of all appropriations for expenditures. The Act also mandates that each local government shall have on hand on June 30th every year an undesignated fund balance equal to 8% of the current year's expenditures. The Fiscal Year 2021-2022 General Fund Budget being submitted for your consideration totals \$15,850,253.00. This budget varies very little from the FY 2020-2021 budget.

### BUDGET SUMMARY

This budget was drafted based upon estimated revenue from all usual sources, just as previous years' budgets. It does not include any resources from the American Rescue Plan (ARP) funding from the Federal government, as we currently do not have enough specific guidance on what these funds can be utilized for by the City. We anticipate the City will be able to use them in the FY 2021-2022 budget but cannot realistically include them in the budget for now. Depending on the timing we receive more specific guidance and the actual funds, we will recommend how to include these funds in the budget at a later date.

This current budget allows departments to maintain a minimal level of services to the City while not recommending raising any taxes or using any Undesignated Fund Balance funds. However, this budget includes minimum department manning levels and no capital projects or equipment acquisitions. It also does not include any travel or per diem expenses except for required licensing and certification. As we consider our employees our most valuable resource, it does include maintaining some personnel benefits that we have provided in the past. However, it also does not include any cost-of-living/merit salary increases or employee bonuses. We did not include any potential grants in the budget that departments might apply for. If any grants are approved for use, we will ask City Council at that time for a budget amendment for the grant amounts plus any matching funds requirement.

## ECONOMIC SUMMARY

The economic outlook at the time of this year's annual revenue forecast is largely focused on the recovery from COVID and a transition to a post-COVID era. The COVID pandemic restrictions are beginning to be scaled back, which will help businesses and schools to get closer to returning to normal operations. The City was fortunate to not have a large number of businesses fail during the pandemic, but we know some are still struggling to stay afloat. A number of businesses are having trouble either getting enough people to apply for work or getting inventory from suppliers. We anticipate our business community will maintain the momentum of positive growth and activity in the next fiscal year.

The American Rescue Plan (ARP) will provide \$5.6 billion in state fiscal relief and \$1.35 billion earmarked for North Carolina cities and towns, to include approximately \$4 million for us. Funding can be spent through 2024 and I am hopeful that the funding will be transformational for our City. We expect further guidance and clarification on expenditures these funds are eligible to be used for to be forthcoming from the U.S. Treasury and others in the coming weeks and months.

North Carolina's unemployment rate was 5.9 percent in January, exceeding the prior year rate of 3.5 percent. Wells Fargo anticipates labor force growth in this spring and summer as businesses re-open and pull job seekers back into the workforce. With the potential for some low-wage jobs not returning, more job training may be needed for many in the workforce.

The current housing market can be defined by delayed new construction and low inventory of existing homes. In North Carolina, housing starts were down 1.5 percent from a year ago. Single-family home building permits across the state, which typically lead housing starts by two to three months, increased 24.3 percent between January 2020 and 2021.

A third round of stimulus checks are being received by 89 percent of North Carolina adults through the American Rescue Plan. March 2021 consumer spending in North Carolina has increased 3 percent compared to January 2020. Consumer spending is expected to experience a strong but unequal recovery among age and income groups, with low-income groups spending less as stimulus measures expire. The spending habits of consumers has changed, possibly for good. McKinsey Global Institute predicts that online grocery shopping, virtual healthcare visits, and spending on at-home living is here to stay. Consumer behaviors expected to revert to pre-pandemic patterns are remote learning, vacationing, and live entertainment.

These indicators contribute to North Carolina forecasters projecting continued economic growth in the coming year.

REVENUE SOURCES ESTIMATES:

Our revenue estimates were based on historic review of source trends, review of economic trends at the national and local levels, and guidance from the North Carolina League of Municipalities.

Ad Valorem Tax	\$7,132,023.00
Payments in Lieu Of Taxes	\$35,000.00
Credit & Collections Lien Accounts	\$5,000.00
Motor Vehicle License, Tax & Tags	\$869,189.00
Business Registry	\$2,020.00
Interest Earnings	\$1,000.00
Donation Fire Dept.	\$1,160.00
Misc. Revenue, Insurance Reimb, Lot Cutting	\$72,800.00
Utility Franchise Tax	\$1,302,544.00
Beer and Wine Tax	\$63,000.00
Powell Bill	\$404,091.00
Solid Waste Disposal Tax	\$11,214.00
Sales Tax (including Tourism Contribution)	\$3,880,858.00
ABC Profits	\$45,000.00
Grants & Programs	\$98,287.00
Magistrate Office Rent	\$3,740.00
Court Costs	\$2,200.00
Building Permits & Fees	\$102,371.00
Res & Com Solid Waste User, Public Works Fees	\$1,422,287.00
Cemetery	\$182,550.00
Parks & Rec Fees and Rent	\$82,054.00
Aquatic Center	\$33,800.00
Planning/Zoning Fees	\$14,000.00
Canal Museum	\$1,830.00
Wreck Reports	\$9,500.00
Municipal Ordinance	\$27,735.00
Surplus Property	\$45,000.00
 TOTAL:	 <u>\$15,850,253.00</u>

EXPENDITURES

Debt Service

The annual payment on the 2017 Bond Loan is projected to be \$1,256,184 in FY 2021-2022. The City's debt service payments for the FY will be \$487,880. Future additional debt will have to be carefully evaluated until some current debts are paid off in the next 1 to 2 fiscal years. ✓

### General Administration

Because the City is a service provider, personnel costs are our greatest expenditure. The proposed budget does not include a cost of living/merit increase or bonuses for City employees but does include a \$250 holiday bonus for all full-time employees. Benefits costs have increased due to retirement contribution percentage increases mandated by the State Treasurer's Office. Funding has been requested to continue the City's longevity program and a 401(k) supplemental compensation program of 3% for non-law enforcement personnel. Another item provided for in the proposed budget is a 5.8% increase in employee health insurance premiums with the same plan benefits except for one change in prescriptions in Tier 4 levels. The General Government and Administration budget totals \$2,569,988 and includes legislative, general government, administration, human relations, elections, finance, information systems, revenue collections, legal, miscellaneous contributions, debt service, and capital reserve departmental budgets.

### Police

The proposed budget for the department is \$3,272,667. 2 requested investigator positions were not funded. The department will be able to provide acceptable service levels for traffic safety, investigations, security, and community policing.

### Fire

The proposed budget for the department is \$2,072,347. The department will be able to maintain service levels for fire prevention, fire response and first responder activities. Reductions were made in training, equipment, and career development budget lines.

### Public Works

The proposed budget for all facets of Public Works is \$3,995,628. It does not include any capital items/equipment or street resurfacing funding, but does fund minor street repairs and patching. 3 positions total in Street Department and Cemetery were not funded.

### Parks and Recreation

The proposed budget for all departments under Parks and Recreation is \$1,664,387. Funding is provided to maintain operations at the Aquatic Center while recommending the outdoor pool remain open and reducing part-time staff in other operations. There are no major project grants included. Funding for the Library was reduced due to forecasted reductions in State aid and donations. No funding for inmate labor was included because we have no indication if and/or when inmate laborers will be available due to COVID concerns.

### Planning and Development

The proposed budget for the department is \$531,172. Minimal funding was provided for demolition needs.

## SUMMARY

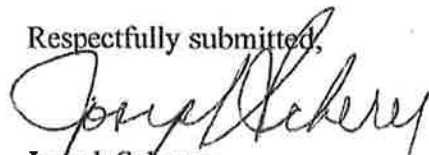
The Fiscal Year 2021-2022 Budget is balanced in accordance with the Local Government Budget and Fiscal Control Act. We have attempted to address maintaining minimum service levels while maintaining our current tax rates. As always, we will continue to explore ways we can minimize our costs and improve efficiencies.

Many of our departments, especially Public Works, Police and Fire, have major capital needs that have been delayed over the years and will need to be seriously considered for resourcing in future years. Infrastructure maintenance and upgrades, especially street repairs, need to be programmed for funding as well. Also, continued minimum department manning and the inability to offer meaningful starting salaries or increases will have an impact on recruitment and retention of City employees. The Human Resources Director is doing a salary and benefits study that will show how far behind we are in this regard. I hope we will be able to address some of these deficiencies with the use of the American Rescue Plan funds over the next three years. Also, our inability to move forward with innovations and improvements in technology puts our opportunities to become more efficient and cost-effective out of reach, due to their large up-front costs.

I would like to thank the City Administration staff for their efforts in preparing this proposed budget. As always, I offer a special "thank you" to Leigh Etheridge and her staff, who worked hard to provide the financial information needed to prepare this proposed budget.

Despite the immediate funding challenges the City of Roanoke Rapids faces, we are confident that our long-term prospects for continuing to be the major business and retail center for Halifax County remain good. As we move forward, we remain committed to providing quality services to all our citizens!

Respectfully submitted,



Joseph Scherer  
City Manager