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May 30, 2019

TO: Mayor and Board of Aldermen

FROM: Richard J. White III, Town Manager

SUBJECT: FY20 Manager's Recommended Budget Message

I am pleased to present for your consideration the FY20 Manager's Recommended Budget which totals \$12,515,550. This budget was developed with the vision, mission, and goals contained within the Town of Elon Strategic Plan in mind. The Vision and Mission statements follow:

VISION:

The Town of Elon builds upon its strong foundation by continuing to ensure a vibrant and progressive community for all residents.

MISSION:

Support a vibrant and connected community life by investing in and enabling a remarkable quality of life for all residents.

General Fund

The proposed General Fund budget totals \$8,371,070. The majority of the revenues which support the General Fund are from property taxes (\$2,485,000) and sales taxes (\$3,000,000) with both sources showing growth over last year. The FY20 Budget continues maintaining existing services while recommending no change to the current tax rate of \$.45 on each \$100 valuation of taxable property.

Staff

A total of \$116,791 is included to fund a two percent market adjustment, the Performance Pay Program, and the implementation of the Classification and Compensation Study to ensure that the Town is competitive to recruit, retain, and reward employees for providing stellar customer service. The proposed budget includes two additional employees – a Police Officer and an Employee Relations position – as recommended in the *2017 Staffing Study*.

Health Insurance



With the upcoming July 1 health insurance renewal, the Town has successfully realigned the annual health insurance renewal with the fiscal year. Premium costs will increase by \$18,715 (5.67%) during FY20.

Local Government Employees' Retirement System (LGERS) Employer Contribution Rates

The Local Government Employees' Retirement System (LGERS) Board of Trustees voted to increase the system's employer contribution rates from the current 7.75 percent to almost nine percent for FY20, a variation from the incremental 0.25 percent increase previously planned under the Employer Contribution Rate Stabilization Policy (ECRSP). Despite local governments providing contributions in excess of what was required to fully fund the system in recent years, a combination of factors – including a projected one and one-half percent return on system investments in 2018 – are forecasted to result in a system funding shortfall in future years. To reduce the projected deficit, the employer contribution rates for general employees will rise gradually each year to above 12 percent by FY23. The contribution rate for law enforcement officers increases at the same pace, but is 0.75 percent higher than the rate for general employees. For FY20, the town's cost will be \$40,183.

Initiatives

The FY20 Budget funds several initiatives including completing a Capital Improvement Plan; writing the Land Development Ordinance; preparing a Master Plan for the undeveloped portion of Beth Schmidt Park; and providing lighting on University Drive between Manning and North O'Kelly Avenues. With the relocation of the Elon Elementary School to Walker Road and the potential for additional development along Haggard Avenue, funding is included to conduct a corridor study. The total amount of these projects is \$180,100. \$25,000 from the Cemetery Fund is proposed to address unsafe conditions and landscaping improvements in Magnolia Cemetery.

Animal Services

Under the new sales tax cost allocation formula, the town's share of Animal Shelter operating costs will decline to \$63,360.

Solid Waste

To address increasing volumes of heavy garbage and yard waste and rising tipping fees and service costs, an increase of \$1.00 is proposed. During the upcoming fiscal year, it will be necessary to modify this service to control the rising costs.

Capital Expenses

Capital expenses include the purchase of servers, computers, Recreation and Park and police vehicles, radios, HVAC replacement, tractor, and a backhoe.

Downtown Elon

The Town continues to make investments in the downtown by including matching funds to build the last phase of parking on West Lebanon Avenue to increase the supply of public parking as recommended in the *Comprehensive Parking Study*. Funding is also included for the Musical Chairs/Alive After Five concert series.

Water and Sewer Fund

The proposed Water and Sewer Fund budget totals \$3,619,480 which includes an increase of three percent that mirrors the City of Burlington's increase to help fund the maintenance and repair of both systems. Funding is included for a vacuum trailer, sewer pump, rate study, and the installation of the automated meter reading system.

Storm Water Fund

The recommended Storm Water budget is \$155,000. An increase of \$1 to the fee is proposed to address several storm water issues. The recent historic rainfall has increased the awareness of storm water issues throughout the Town.

Powell Bill Fund

The Town receives Powell Bill contributions from the State on an annual basis for street maintenance and resurfacing. The total proposed Powell Bill budget is \$280,000. During FY20, Forestview Drive, Orange Drive, and Winwood Drive will be resurfaced.

Federal Asset Forfeiture Fund

The Police Department plans to use \$90,000 of federal asset forfeiture funds to purchase a vehicle and radios.

Summary

The Town is in an excellent position to further define its future and develop an implementation plan based on the various guiding documents that are now in place. This budget attempts to allocate resources to continue the forward momentum that the Town has achieved. Having continued positive fund balances in the General Fund and the Water and Sewer Fund, very low debt levels, and a deliberate approach to planning and growth provide an opportunity to invest in infrastructure and amenities that will transform this community.

I wish to express my gratitude to the Board of Aldermen, Department Heads, staff, and especially Misty Hagood, Finance Director, for their assistance in preparing this proposed budget.