

Reader's Guide to the Budget Document

The Mayor and Town Council adopt a balanced annual operating budget ordinance for the Town as required by the North Carolina General Statutes (GS 159-13). The budget document describes the economic, financial, and environmental factors that translate community values into a dynamic web of services that contribute to the town's desired quality of living.

In addition to presenting the town's annual budget, the budget document includes the multi-year, special revenue funds, the capital budget, and financial trends and projections for general fund revenues and expenditures to present a complete picture of the Council's commitments. The purpose of presenting this holistic picture is to assist the Town Council, town staff, and the community in understanding the impact that current decisions have on future resources and to assist with development of strategies to address potential changes or problems.

The budget document is divided into the following sections.

- Budget Message** This section includes the Executive Summary that describes the fiscal environment faced by the Town and identifies the expenditure and revenue budget actions to be considered by the elected governing council. This section also includes the Town's budget ordinance appropriating projected revenues and expenditures for various funds.
- Community and Organizational Profile** This section of the budget document highlights the demographic, economic and cultural characteristics of the Carrboro community, and the goals of the community expressed by the elected Council. It also describes the Town's budget process, financial policies, and other pertinent information.
- General Fund** - This is the Town's operating fund. The General Fund is organized around functional areas and sub-divided by department or expenditure category that is authorized within the budget ordinance. The General Government section includes numerous departments that support the Town's operations and other departments. Larger departments show divisions based on distinctive service provided along with a description of the department's purpose, service activities, coming year work plan goals, objectives, and projects, table of authorized positions, performance measures and spending history and budget.
- Special Revenue Fund** – The Town currently maintains the following Special Revenue Funds: Revolving Loan Fund, Energy Efficiency Revolving Loan Fund, Emergency Loan Fund, Affordable Housing Fund, Powell Bill Fund, American Rescue Plan Act Fund, and Grants Fund.
- Capital Projects Fund** This fund includes all active capital projects of the Capital Projects Fund, Bond Fund, Facilities Rehabilitation projects, Capital Reserve Fund, and the Payment-in-Lieu Fund.

- Enterprise Funds** These are business type funds that are intended to generate sufficient revenues to become self-supporting. The Town has two Enterprise Funds: 1) Stormwater Utility Enterprise Fund supported by user fees for stormwater management and flood remediation activities; and 2) Parking Enterprise Fund currently supported by the General Fund for parking management.

- Financial Trends - Past, Present, and Future** This section provides information on the Town’s financial trends, past, present, and future. A companion document, “*Adopted Capital Improvement Program for FY 2022-23 Through FY 2026-27*” (CIP) describes capital improvement projects and identifies funding sources and expenditures for the next five fiscal years. This document is available at the following link. <http://www.ci.carrboro.nc.us/250/Financial-Documents>

- Line-Item Budget** – This section provides a detailed listing of proposed expenditures by departments for the current and upcoming budget year, along with actual amounts from the previous fiscal year audit.

- Glossary** A list of common budgeting terms defined and explained.

Please direct comments or questions to:

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Budget information is also available for viewing on the Internet at:
www.ci.carrboro.nc.us/250/Financial-Documents



June 21, 2022

To: Mayor and Council Members:

I am pleased to submit the Manager's Adopted FY23 Budget for the Town of Carrboro. This budget totals \$90.9 million for all Funds as follows:

General Fund	\$ 27,667,675
Capital Projects Fund	50,825,396
Special Revenue Fund	11,156,649
Enterprise Fund	1,224,791
Total	<u>\$ 90,874,511</u>

After more than two years, the COVID-19 Pandemic continues to affect our lives and the economy. Competition for talent, supply chain issues, rising fuel costs, and overall inflationary pressures are also influencing the state and local economies and in turn, local government budgets.

As we continue to adjust to the changing landscape, the task of budgeting continues to be challenging. Nevertheless, we have produced, as best we can, a budget based on revenue projections that are not overly aggressive, nor unduly regressive. Since the COVID-19 Pandemic and its effects on the economy are still a bit uncertain, the Town may be required to make future budget adjustments depending upon the direction of the pandemic.

The General Fund is the Town's operating budget. This FY23 budget is expected to increase by 9.2% over the FY22 budget. This increase is attributable to additional staffing and associated costs, increases in personnel salary and benefits, and inflation factors for supplies and materials, and debt payments.

Property and sales tax revenues make up 75.0% of total general fund revenues in FY23. The total property tax valuation is estimated to be \$2,717,302,115 based on valuation by the Orange County Tax Administrator. This is a 2.6% increase over the past year's estimate. The total property tax valuation net of exemptions is estimated at \$2,587,095,676. There is no property tax rate increase for FY23. The property tax rate will remain at 0.5894 per \$100 of valuation for the General Fund, and 0.0150 per \$100 of valuation for the Affordable Housing Fund. Through thoughtful and careful planning and execution, the Town continues to remain in strong financial condition.

Employee recruitment and retention will be high priorities in the upcoming fiscal year due to the increased competition for talent in the local government employment sector. To be better prepared

to meet this challenge, the Town has a compensation and classification study underway which is expected to be completed by the fall of 2022. In the amended FY22 operating budget, funds were appropriated to implement the results and recommendations stemming from this study and will be carried over for use in FY23. As a first step, this budget provides for \$3,000 to be added to all full-time employees' salaries and prorated for part-time positions. Health insurance costs will increase by 15 percent.

This budget includes several new positions including an Assistant Town Manager and an Assistant to the Town Manager. With the promotion of two Assistants previously in the Town Manager's Office to department heads during FY21, the Town Manager's Office has had no formal administrative or programmatic support throughout the current fiscal year. These positions will re-establish a functional Town Manager's Office and provide for increased managerial capacity. In support of Council's Race and Equity priority, the Race and Equity Officer position is to be moved to the Town Manager's Office and will be assisted by a Race and Equity Manager. Other positions include a Grants Manager and moving the Communication and Engagement Specialist position to full-time.

With the adoption of *Carrboro Connects*, the five-year comprehensive plan, staff will be engaged in implementing the new plan which may require additional resources. The Town will continue to implement the Energy and Climate Protection Plan and the Community Climate Action Plan. The Energy and Climate Protection Plan seeks to reduce Town greenhouse gas emissions, become more energy efficient and generate more renewable energy. The Community Climate Action Plan articulates the Town's community greenhouse gas emissions reduction goals and emphasizes measures that the broader community is asked to take to achieve greenhouse gas reduction targets.

Special Revenue Funds change from year to year depending upon revenues from grants, revolving loan funds, and other program specific revenues. The Affordable Housing Fund seeks to increase affordable housing in the Town, and this continues to be a major goal of the Town Council. To provide a steady and reliable revenue stream for affordable housing, the FY19, FY20, and FY22 adopted budgets, each included a ½ cent property tax increase to be dedicated exclusively for affordable housing activities. This 1.5 cent property tax provides 100% property tax funding for the fund and will continue for FY23.

The American Rescue Plan Act, signed into law on March 11, 2021, provides funding to state and local governments to help them meet COVID-19 pandemic public health emergency response needs and rebuild a stronger, more equitable economy as the country recovers. The Town will receive \$6.7 million under this Act and may use the funds for the following purposes: 1) replacement of local government revenues for the provision of government services; 2) premium pay to essential employees; 3) assistance to small businesses, nonprofits, household and hard-hit industries, and economic recovery; and 4) investments in water, sewer, and broadband infrastructure. A proposed spending plan is under development.

The Capital Projects Fund at \$50.8 million includes projects that will add new or renovate existing Town infrastructure. These include construction of greenways throughout the Town, the 203 Project, and renovation of existing Town buildings. The 203 Project, a joint development of the

Town and Orange County, will house the Orange County Southern Branch Library, Orange County Skills Development Center, Town Recreation, Parks, and Cultural Programs, and other activities. Construction of this facility will start in June 2022 and will be located at 203 S. Greensboro Street. Several replacement vehicles will be purchased.

For renovation of existing Town buildings, a financing plan needs to be created to undertake these building improvements over the next five years. A comprehensive facility assessment has been completed which will be the basis of defining the necessary renovations and cost estimates.

The Stormwater Utility Enterprise Fund, established in 2017, to comprehensively address stormwater management and flood remediation needs throughout the Town is supported by user fees. The current user fee for stormwater ranges from \$75 to \$90 based on portion of property affecting stormwater management. Staff plans to conduct a comprehensive stormwater infrastructure assessment during FY23.

A Parking Enterprise Fund was created in FY21 to better manage and account for the costs to maintain “free parking” throughout the Town. A parking study has been completed and implementation recommendations are being prepared. These parking activities will continue to be supported by the General Fund in FY23.

On behalf of all Town of Carrboro employees, I want to thank the Mayor and Council Members for your leadership, vision and dedication to Carrboro’s unique identity and quality of life. I would also like to recognize and thank Department Directors, and especially Arche McAdoo, Finance Director, Cary McNallan, Deputy Finance Director, and the entire Finance Team for their dedicated efforts in the development of the FY23 Town budget.

The accompanying Executive Summary provides additional highlights of the overall budget and strategies for fiscal year 2023.

Sincerely,



Richard J. White III, ICMA-CM
Town Manager