

To: Mayor Doughtie and City Council
From: Kelly Traynham, City Manager
Date: May 18, 2022, revised June 3, 2022
Re: Fiscal Year 2022-2023 Proposed Budget



Fiscal Year 2022-2023 Budget Message

I respectfully submit the proposed budget for Fiscal Year 2022-2023, which includes all operating and capital funds of the City of Roanoke Rapids, is contained within this report. This is intended to be a “first pass” at review of the balanced budget and the final approved budget may include revisions as desired by the City Council.

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 growth rate of many of the City’s General Fund revenues is directly tied to the state and local economics as well as population growth within the City. In order to maximize the use of available revenues the Fiscal Year 2022-2023 Budget was prepared as a continuation budget, providing only for the continuation of City operations at their current level. The Fiscal Year 2022-2023 General Fund Budget being submitted for your consideration totals **\$16,887,591**. This budget is similar to the FY 2021-2022 budget offering the same levels of service with adjustments made in the rising costs of operating expenses.

The City of Roanoke Rapids’ Budget contains several revenue sources that are dependent upon the general economy. Among these are sales tax, property tax, interest income, and user fees and permit fees. Employee compensation, including benefits, accounts for the majority of the budgeted expenditures.

The proposed budget includes the current tax rate of \$0.651 per One-Hundred Dollars (\$100) valuation. City taxpayers are charged at a rate of \$0.661 per \$100 valuation with Roanoke Rapids transferring a one-cent rate share (\$0.01) to Roanoke Valley Rescue Squad, per voter referendum. The resulting net tax rate directly contributing to the City’s revenues is \$0.651.

With less than 30-days remaining in the current fiscal year, the City of Roanoke Rapids will close out with an approved FY 2022 Budget in the amount of \$16,879,850, which is slightly less than the proposed FY 2023 budget of \$16,887,591 (*an increase of \$7,741 from FY 22 to FY 23*).

General Fund Annual Comparison				
REVENUE	FY 2021-2022 (amended)	FY 2022-2023	Difference	% Difference
General Fund	\$ 16,879,850	\$ 16,887,591	\$ 7,741	0.046

QUICK FACTS & HIGHLIGHTS

- The proposed annual budget totals \$16,887,591 a 0.046% increase above FY 2021-2022 amended budget as of June 1, 2022.
- The proposed FY 2023 Budget maintains the current NET Ad Valorem tax rate at 65.1¢ per \$100 of valuation. City taxpayers will pay an Ad Valorem tax rate at 66.1¢ per \$100 of valuation of which 1¢ per \$100 of valuation will be received by the City and then transferred to Roanoke Valley Rescue Squad per voter referendum.
- One penny on the tax rate is estimated to generate a net amount of \$85,000 in the upcoming year based on a 98.25% collection rate by Halifax County ***after deductions and discounts***.
- Residential refuse fees are recommended to increase from \$240 per container, per year to \$265 per container, per year.
- Overall expenditures for salaries and benefits for all employees and retirees are estimated at **\$11,051,000** (or **65%** of the overall budget)
 - *163 fulltime equivalent (FTE) positions with combined salaries and benefits estimated at \$10,495,000 (or 62% of the overall general fund budget).*
 - *Regular Part Time positions are estimated at approximately \$137,000*
 - *Seasonal Part Time positions are estimated at approximately \$48,000*
 - *Retirees/Separation Allowances are estimated at approximately \$371,000*
- Staffing levels are proposed to remain at current levels of funding.
- Employee Health Insurance premiums are budgeted to increase to absorb additional costs for the dependent tier coverage at a cost to the city of approximately \$96,000.
- A mandatory employer contribution increases of an additional 7.5% to the Local Government Employees' Retirement System (LGERS) is included. This will cost the City an extra \$170,000 (approximately) compared to FY 2021-2022.
- The proposed FY 2023 Budget is balanced with a transfer of \$403,683 from the undesignated fund balance.
- There are no appropriations requested for other organizations.
- There are incremental increases proposed within the Fee Schedule for FY 2023.
- Operating expenditures for public safety (police and fire) are expected to encumber the majority (85%) of the ad valorem tax levy (\$7,221,507). This rate would increase to 91% if the city is expected to pay the E-911 System Cost of \$406,863 estimated for FY 2023.
- The FY 2023 budget includes debt service payments on existing obligations. No other major projects have been added to our debt at this time.

The FY 2023 Budget does not include the following expenses from prior-year budgets:

- E-911 Central Communications \$406,863 due to pending judicial opinion
- Carolina CHIPS incentive \$125,000 (final obligation paid FY 22)
- Theatre 2017-B Series Bond payment approximately \$300,000 (note paid in full FY 22).

Looking Back, Looking Ahead

Fiscal Year 2020-2021 (prior year)

At the end of the FY20-21 fiscal year, unreserved fund balance of the General Fund was \$4,118,325, while total fund balance reached \$5,535,399. As a measure of the general fund's liquidity, it is useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represented 16% of total General Fund expenditures, while total fund balance represented 26% of that same amount.

At the close of the prior fiscal year (June 30, 2021), the governmental funds of City of Roanoke Rapids reported a **combined** fund balance of \$5,562,408 with a net increase in fund balance of \$1,376,077, per the independent Auditor's 2021 Report.

Fiscal Year 2021-2022 (current year)

On June 1, 2021, City Council adopted Ordinance No. 2021.05 establishing a \$15,850,253 budget for the fiscal year beginning July 1, 2021 and ending June 30, 2022.

About two-weeks later, Ordinance No. 2021.05 was replaced on June 15, 2021 when City Council adopted Ordinance 2021.08 establishing a *revised* FY 21-22 budget to include additional tax revenue and tax expenditure of \$120,000 to be paid to Roanoke Valley Rescue Squad. The resulting operating budget remained at \$15,850,253.

FY 2021-2022 Budget Amendments

A summary table of FY 2021-2022 Budget Amendments is provided at the end of this section.

1. On July 20, 2021, City Council approved Ordinance No. 2021.09 which amended the FY 2021-2022 budget by transferring \$22,000 from Fund Balance to General Fund for expenditures required for the NC Department of Corrections (NCDOC) Inmate Worker Program.
2. On August 3, 2021, City Council approved Ordinance No. 2021.11 which amended the FY 2021-2022 budget by transferring \$612,100 from Fund Balance to General Fund for COLA Salaries & Benefits for City Employees (\$3,000 per full-time employee, adjusted for part-time employees).
3. On November 16, 2021, City Council approved Ordinance No. 2021.14 which amended the FY 2021-2022 budget by transferring \$29,000 from Fund Balance to General Fund for the purchase of roll-out trash carts.
4. On March 15, 2022, City Council approved Ordinance No. 2022.05 which amended the FY 2021-2022 budget by transferring \$171,497 from Fund Balance to General Fund for the increased expenses in automotive fuels (\$100,000) due to unforeseen global increases and to fund the expense of E-911 System Costs (\$71,497).
5. On May 18, 2022, City Council approved Ordinance No. 2022.08 which amended the FY 2021-2022 budget by transferring \$75,000 from Fund Balance to General Fund for the emergency repair of the stormwater drainage system in the area of Jackson Street and 1st Street.

FY 2021-2022 Budget Amendment Summary Table		
FY 21-22 Budget	\$ 15,970,253	<i>Original budget</i>
Amendment by Ordinance Number	Transfer Amount (\$)	Amendment Purpose
2021.09	22,000	Inmate Worker Program
2021.11	612,100	COLA Salaries & Benefits
2021.14	29,000	Roll-out trash carts
2022.05	171,497	Increase Auto Fuels/gasoline; E-911 payment
2022.08	75,000	Stormwater Drainage System Emergency Repair
	\$ 909,597	Total Increase to FY 21-22 Operating Budget
	\$ 16,879,850	REVISED FY 21-22 Budget with Amendments

City Manager’s Recommended General Fund Budget for FY 2022-2023

Summary

Preparing a budget for full services citywide has its share of unknown variables. The General Fund recommended budget for FY 2022-2023 is \$16,887,591, which is a 0.046% increase compared to FY 2021-2022 final amended budget. Approximately \$403,683 of Fund Balance has been appropriated to balance this year’s budget to help cover staff increases, insurance increases and other operational expenses, however, projected savings and revenue results may negate the use of fund balance.

This budget was drafted based upon estimated revenue from all usual sources, just as previous years’ budgets. The operating budget does not include any resources from the American Rescue Plan (ARP) funding from the Federal government. We anticipate the City will be able to use them in the FY 2022-2023 budget and it is recommended that these funds be utilized for specific program, project, or equipment expenses. This current budget allows departments to maintain a minimal level of services to the City while not recommending raising any taxes. However, the FY 22-23 Proposed Budget includes approximately \$403,683 of Undesignated Fund Balance funds.

This proposed budget includes minimum department manning levels and no capital projects or equipment acquisitions. It includes the minimum level of any travel or per diem expenses as required licensing and certification. 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.

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 American Rescue Plan Act (ARPA) has provided \$2.281 million during FY 21-22 and we expect a second (final) allocation of \$2.281 million during FY 22-23. The City will utilize these funds to reimburse for salaries and benefits expenditures during FY 21-22 and FY 22-23 under the **Standard Allowance of the Revenue Replacement Category per U.S. Treasury’s Uniform Guidance**. The City should

strategically plan expenditures with the “offset” revenues following completion of the standard allowance. I am hopeful that the funding will be transformational for our City.

Employee Pay and Other Benefits Considered in a Budget

Positions by Department. As of June 3, 2022, the City of Roanoke Rapids employs 163 Full-time Equivalent (FTE) positions of which 20 are currently vacant. There are approximately 11 FTE positions that are unfunded in the proposed FY 2023 Budget and have been “frozen” for several years. The City’s Public Works and Parks & Recreation Departments frequently utilize permanent part-time (PPT) staff to assist in year-round operations. The Parks & Recreation Department funds seasonal part-time staff, primarily lifeguards at the pools while the Police Department retains seasonal part-time for occasional duty or special events (i.e. Christmas Parade).

The Table below provides the sum of all employed positions by department and employment status as of June 3, 2022.

Sum of Positions by Department, June 3, 2022					
DEPARTMENT	Full-Time (FTE) funded	VACANT FTE funded	FROZEN FTE unfunded	Permanent Part-Time (PPT)	Seasonal Part-Time
Administration & Govt. Bldg	3	-	-	-	-
Main Street	1	1	-	-	-
Finance/Payroll/Tax	5	-	-	-	-
Human Resources	1	-	1	-	-
Planning & Development	7	*1	-	-	-
Police	52	9	2	1	7
Fire	32	3	-	-	-
Public Works	46	*5	5	6	-
Parks & Recreation	16	1	3	15	21
TOTAL	163	20	11	22	28
* Count will decrease by one (1) pending FTE start date of June 13, 2022 in Planning Dept. and Public Works Dept. The TOTAL Vacant FTE count will decrease to 18. NOTE: Vacant FTE positions are included in the FTE funded counts.					

Retirements. The Police Department law enforcement officers receive a 5% 401K contribution as mandated by state law. During the 4th quarter of FY 2022, salary enhancements were approved by City Council to increase the entry-level pay to improve recruitment, retention, and longevity. Retirement contributions are planned to increase by approximately 1% each year until 2026.

- The law enforcement officer retirement rate increased from 13.01% to 13.04% in FY 2023.
- Retirement Rates (non-law enforcement). The City’s contribution to regular employee retirement will increase from 12.01% to 12.10% in FY 2023.

Health Insurance. The City maintains its association with insurance broker, G.W. Hux & Co., to provide health insurances during FY 2023. Full-time employees are covered at 100% cost to the City. The City supplements the dependent coverage to reduce the overall costs to the individual employee electing coverage for children, spouse, or family members at an estimated cost of approximately \$96,000 based on current enrollment.

Revenues

ECONOMIC SUMMARY

Source: NC League of Municipalities Projection of State-Collected Local Government Tax Revenue, April 2022

COVID-19 and the New Normal

Similar to last year's economic outlook, further recovery from the COVID-19 pandemic and the continuing transition to a "new normal" are major drivers causing uncertainty around projections. Within the last year, COVID-19 vaccines have become widely available, and the NC Department of Health and Human Services estimates that 76% of North Carolina adults have received at least one dose. While cases declined throughout the back half of 2021, the rapid spread of Omicron throughout the winter led to a new spike in cases. Regardless, Americans are reporting that they are increasingly more comfortable with activities such as visiting grocery stores, eating out, and attending indoor concerts and events, which is hopefully a positive indicator for economic activity.

Unfortunately, as the impact of the pandemic wanes somewhat, another source of uncertainty has emerged in the form of the Russian invasion of Ukraine. Sanctions by the U.S. and other countries throughout the world on Russia include a ban on importing Russian oil, a move that has contributed to rising fuel prices in the U.S. (see below). There may still be impacts to come on items like food prices and the availability of raw materials, to say nothing of the potential implications were the conflict to escalate.

*Since the final round of federal stimulus checks in early 2021, consumer spending has continued to increase in North Carolina, but **future outlooks grow more uncertain and less optimistic**. As of late March 2022, North Carolina total consumer spending increased by 16.6% when compared to January 2020. Yet, data from the U.S. Census Bureau's Household Pulse Survey Interactive Tool notes that in the first half of March 2022, **an estimated 34.4% of North Carolina adults report difficulties in covering normal household expenses up from 29.9% in the same period last year**. The same data set notes that in the first half of March 2022, **23.3% were worried about their ability to pay an energy bill, up from 19.1% in summer 2022**.*

*The Bureau of Economic Analysis **estimated personal savings as a percentage of disposable income in February 2022 at 6.3% compared to 13.5% at the same point last year**. At the time of this year's memo, gas prices in North Carolina hover around \$3.98/gallon, compared to \$2.63/gallon at this time last year, which will also likely impact the availability of consumers' disposable income.*

Inflation is another issue which has greatly affected consumers across the country in recent months. The February 2022 Consumer Price Index Summary indicated an increase of 7.9% over the previous year. As a measure to combat inflation, the Federal Reserve recently raised interest rates from 0.25% to 0.5% and indicated that further hikes are expected throughout 2022. In addition to other factors outlined in this section, inflation and rate hikes may eat into NC consumers' disposable income.

General Fund Revenue Estimates

The City’s General Fund revenues are most affected by fluctuations in the economy. The sales and use tax, the City’s second largest revenue, is elastic as it’s impacted by the economy and consumer consumption. Limited incremental growth and redevelopment have resulted in minor increases in the taxable valuation of property in the City while the majority of housing stock continues to age beyond 50-years since construction. Unfortunately, the tax base has not outpaced inflation for the coming year. For Fiscal Year 2022-2023, the General Fund has a total budget of \$16,887,591.

Ad Valorem Taxes: Ad valorem tax is the tax applied to each \$100 dollar of property value as determined by the Halifax County tax office. The City of Roanoke Rapids ad valorem tax rate per \$100 of value is \$0.0661 (or 66.1 cents), which includes the recently approved voter referendum to provide a one-cent (\$0.01) tax to the Roanoke Valley Rescue Squad (RVRS). Therefore, the NET tax rate utilized to prepare the FY 2023 Budget is \$0.0651 per \$100 of property value assessed by Halifax County.

The personal property and real property tax is slowly gaining value, and signs of incremental new growth are taking place.

- **FY 23 Estimated Revenue: \$7,221,507**
- Prior year: \$7,134,672

Halifax County completed a revaluation during 2020 and the next scheduled revaluation is 2024.

Analysis of the current tax levy

The city-wide levy for the fiscal year that ended June 30, 2021 was based on a Total Property Valuation for Real Estate & Personal Property at \$1,140,733,948 and Motor Vehicles at \$148,233,948, resulting in a combined tax levy of \$1,288,967,896. The Net Valuation for Levy was \$1,288,064,209 after deductions from “Afterlists & Discovery Billings”.

At the end of Fiscal Year 2021, the Net Levy city-wide was \$8,385,298 (property and registered vehicles) of which \$8,305,658 was collected (99.05% collection, less \$79,640 uncollected taxes). The high collection rate can be contributed to taxpayers having more disposable income from federal stimulus payments and the real estate transfers from homes being sold/resold.

FY 2020-2021 Ad Valorem Tax Levy				
	Real Estate / Personal Property	Motor Vehicles	Total Property Valuation	After Discounts est.
Total Valuation	1,140,733,948	148,233,948	1,288,967,896	1,288,064,209
Levy 0.651 rate	\$ 7,426,178	\$ 965,003	\$ 8,391,181	\$8,385,298
<i>NOTE: Halifax County receives a collection fee of 2% of all City Tax Payments. Halifax County works with taxpayers for payment plans and incentives (discounts) for early payment, etc. Therefore, the actual levy received by the City of Roanoke Rapids varies from the initial billed amounts.</i>				

FY 2022-2023 Revenue Estimates for the City of Roanoke Rapids

<i>Revenue Source</i>	<i>Estimated Revenues</i>
2022 Ad Valorem Taxes	\$ 7,221,507.00
Prior Years Ad Valorem Taxes & Penalties	\$ 96,000.00
Ad Valorem \$0.01 Tax for Rescue Squad	\$ 85,000.00
Payments in Lieu of Taxes	\$ 40,000.00
Credit & Collections Lien Accounts	\$ 1,000.00
Motor Vehicle NC License, Tax and Tags	\$ 870,024.00
Lease Vehicles	\$ 27,500.00
Business Registry Collections	\$ 4,000.00
Powell Bill Street Allocations	\$ 487,000.00
Sales Tax	\$ 3,845,000.00
Solid Waste Disposal Tax	\$ 12,000.00
ABC Profits	\$ 50,000.00
Christmas Parade	\$ 14,000.00
Police Grants and Donations	\$ 35,000.00
Fire Grants and Donations	\$ 200.00
Recreation Grants	\$ -
Senior Center Grants and Donations	\$ 61,625.00
Library Grants and Donations	\$ 26,600.00
Roanoke Canal Museum Grants and Donations	\$ 23,030.00
Solid Waste User Fees and Penalties	\$ 1,690,935.00
Court Costs	\$ 2,200.00
Animal Control	\$ 500.00
Inspection Fees	\$ 114,680.00
Lot Cutting Revenue	\$ 10,000.00
Cemetery Revenue	\$ 180,000.00
Recreation User Fees	\$ 42,500.00
Roanoke Canal Museum Fees	\$ 2,500.00
Community Center Receipts	\$ 35,000.00
Lease Revenue	\$ 14,732.00
Planning/Zoning Fees	\$ 12,000.00
Public Works Fees	\$ 10,000.00
Library User Fees	\$ 6,425.00
Utility Franchise Taxes	\$ 1,300,000.00
Beer and Wine Tax	\$ 63,000.00
Miscellaneous Grants	\$ -
Miscellaneous Revenue	\$ 13,050.00
Insurance Reimbursement	\$ 2,500.00
Interest Earnings - General Fund	\$ 2,500.00
Sale of Wreck Reports	\$ 7,500.00
Occupancy Tax	\$ 4,100.00
Sale of Surplus Property	\$ 45,000.00
Restitution	\$ 300.00
Municipal Ordinance	\$ 25,000.00
SUBTOTAL	\$ 16,483,908.00
FUND BALANCE – REGULAR	\$ 403,683.00
TOTAL GENERAL FUND REVENUES	\$ 16,887,591.00

Expenditures: Tax Supported Debt

Debt Service.

During FY 2021-2022, the City of Roanoke Rapids satisfied two (2) debt instruments by making the final payment for the New Town Resource Center and the early pay-off of the 2017 Series B Bond Loan for the Music & Entertainment District “Roanoke Rapids Theatre.” Budgeting for FY 2022-2023 includes an expenditure of **\$1,404,241.30** in currently obligated tax supported debt among six (6) financing instruments consisting of the annual payment on the 2017 “Series A” Bond Loan, which is projected to be \$952,136 and the remaining debt service payments for the FY will be \$452,105.50.

FY 2022-2023 Tax Supported Debt			
<i>Purpose</i>	<i>Principal (\$)</i>	<i>Interest (\$)</i>	<i>TOTAL (\$)</i>
2017 “A” Bond Loan (Theatre District)	946,228.00	205,908.00	952,136.00
2021 FCB: (5) Police Durango SUVs, (1) Fire Dept. Pickup Truck	37,062.00	3,800.00	40,862.00
2021 USDA: Electric Cooperative Program	32,839.00	0.00	32,839.00
2018 BB&T, Equipment	166,820.86	10,400.14	177,221.00
2016 BB&T, Equipment	104,797.78	1,865.22	106,663.00
2013 FCB, Fire Station 2 refi. USDA loan	70,332.52	\$24,188.48	94,521.00
FY 22-23 TOTALS	\$ 1,158,080.02	\$ 246,161.28	\$ 1,404,241.30

Long-Term Schedule of Tax-Supported Debt (current obligations).

The following Table entitled “Long-Term Schedule of Tax Supported Debt” reflects the financial obligations, or debts encumbered by the City of Roanoke Rapids in prior fiscal years. As you can see, if the City does not take on any additional debts, then in year 2033, the City will have zero debt payments. *Is this likely?* No, it is realistic to expect the City to choose debt financing instruments to fund capital projects and equipment into the future. North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to eight percent (8%) of the total assessed value of taxable property located within the government’s boundaries.

Long-Term Schedule of Tax-Supported Debt (current obligations)				
Fiscal Year (FY)	Principal	Interest	TOTAL	Difference from Prior FY
2021-2022	\$ 1,153,442.45	\$ 275,072.85	\$ 1,428,515.30	
2022-2023	\$ 1,158,080.02	\$ 246,161.28	\$ 1,404,241.30	\$ (24,274.00)
2023-2024	\$ 1,080,565.04	\$ 217,013.26	\$ 1,297,578.30	\$ (106,663.00)
2024-2025	\$ 898,521.10	\$ 188,997.20	\$ 1,087,518.30	\$ (210,060.00)
2025-2026	\$ 921,849.78	\$ 165,668.52	\$ 1,087,518.30	\$ -
2026-2027	\$ 904,924.87	\$ 141,731.93	\$ 1,046,656.80	\$ (40,861.50)
2027-2028	\$ 928,474.67	\$ 118,182.13	\$ 1,046,656.80	\$ -
2028-2029	\$ 952,638.71	\$ 94,018.09	\$ 1,046,656.80	\$ -
2029-2030	\$ 977,433.13	\$ 69,223.67	\$ 1,046,656.80	\$ -
2030-2031	\$ 1,002,874.13	\$ 43,782.67	\$ 1,046,656.80	\$ -
2031-2032	\$ 1,028,978.99	\$ 17,677.81	\$ 1,046,656.80	\$ -
2032-2033	\$ -	\$ -	\$ -	\$ (1,046,656.80)

General Fund Expenditures: Government Services Summary

General Government and 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 an increase in employee health insurance premiums with most all the same plan benefits, the net increase is due to the rising costs of elective dependent coverage. In the near future, the City should consider amendments to the shared costs to keep employee coverage at 100% funded by City.

The General Government and Administration budget totals **\$3,760,671** (or **22.27%** of general fund budget) 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 **\$3,894,147** (or **23.06%** of general fund budget). Two of frozen positions requested for funding are not allocated. During FY21-22, two (2) positions were funded that were previously not. Chief Martin is hopeful that the salary adjustments to increase starting pay for police officer will aid in recruitment to fill vacancies. Two (2) funded positions remain open per Chief Martin due to the lack of qualified candidates within the Police Department. City Manager recommends opening the employment opportunity to potential candidates from external agencies. With the adjustments made during FY21-22, the department should be able to provide acceptable service levels for traffic safety, investigations, security, and community policing.

Fire. The proposed budget for the department is **\$2,253,758** (or **13.35%** of general fund budget). 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 **\$4,626,151** (or **27.39%** of general fund budget). It does not include any capital items/equipment or street resurfacing funding but does fund minor street repairs and patching. Three positions total in Street Department remain unfunded.

Parks and Recreation. The proposed budget for all departments under Parks and Recreation is **\$1,795,822** (or **10.63%** of general fund budget). 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 may continue to increase with grants, State aid and donations. Funding for inmate labor is included.

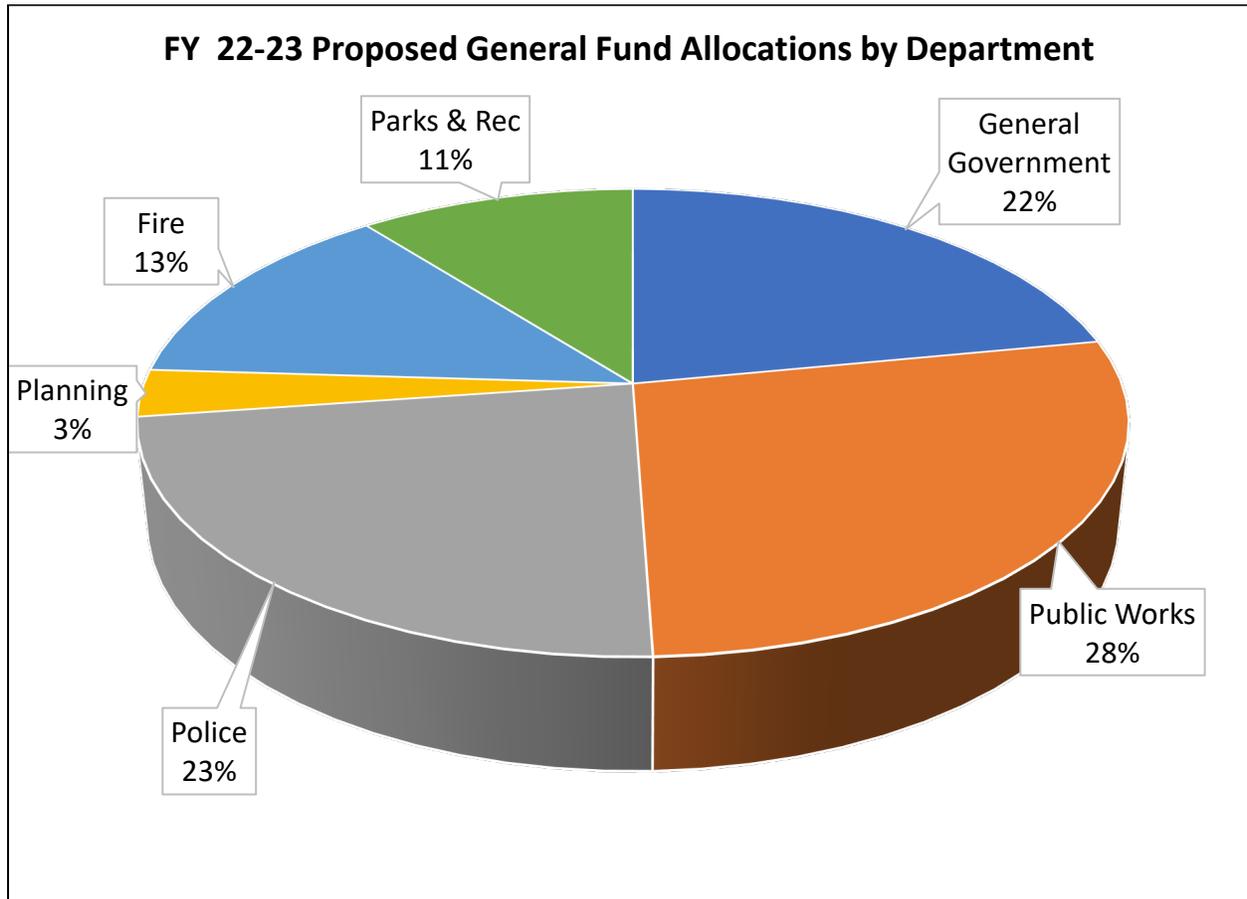
Planning and Development. The proposed budget for the department is **\$557,043** (or **3.30%** of general fund budget). Minimal funding was provided for expenses related to future demolition needs.

Comparison of FY 22-23 Proposed Budget to FY 21-22 Budget (original)

Government Service	FY 2022-2023		FY 2021-2022	
	Proposed Budget	% of Total Budget	Adopted Budget (initial)	% of Total Budget
General Government	\$ 3,760,671	22.27%	\$ 4,314,052	27.22%
Public Works	\$ 4,626,151	27.39%	\$ 3,995,628	25.21%
Police	\$ 3,894,147	23.06%	\$ 3,272,667	20.65%
Planning	\$ 557,043	3.30%	\$ 531,172	3.35%
Fire	\$ 2,253,758	13.35%	\$ 2,072,347	13.07%
Parks & Recreation	\$ 1,795,822	10.63%	\$ 1,664,387	10.50%
	\$ 16,887,591	100%	\$ 15,850,253	100%

FY 22-23 Proposed Budget represents an increase of \$ 921,243, or 5.81% increase compared to the FY 21-22 Adopted Budget.

Graphic representation of the FY 2022-2023 Proposed General Fund Allocations by Department.



**FY 2022-2023 Proposed Budget General Fund Allocations
by Department Requested and City Manager Recommended Amounts**

Department Division	Department Requested	City Manager Recommended	\$ Difference	% Difference
Legislative	53,684	53,686	2	0 %
General Government	2,196,468	1,033,605	- 1,162,863	- 53 %
Administrative	233,544	232,546	- 998	- 0 %
Human Resources	233,043	177,558	- 55,485	- 24 %
Main Street Development	61,121	62,624	1,503	2 %
Elections	3,000	3,000	0	0 %
Finance	356,515	337,765	- 18,750	- 5 %
Information Systems	48,400	40,500	- 7,900	- 16 %
Revenue Collections	299,143	298,643	- 500	- 0 %
Legal	25,000	30,000	5,000	20 %
Planning	625,942	557,043	- 68,899	- 11 %
Government Buildings	110,326	91,526	- 18,800	- 17 %
Police	3,793,536	3,894,147	100,611	3 %
Fire	2,274,058	2,253,758	- 20,300	- 1 %
Public Works	586,359	537,850	- 48,509	- 8 %
Central Garage	331,503	324,103	- 7,400	- 2 %
Street	2,116,606	1,389,275	- 727,331	- 34 %
Solid Waste	909,288	864,632	- 44,656	- 5 %
Refuse	540,414	582,995	42,581	8 %
TJ Davis Recreation	451,729	358,341	- 93,388	- 21 %
Aquatic Center	227,296	208,746	- 18,550	- 8 %
Parks	688,959	589,204	- 99,755	- 14 %
Chaloner Recreation	87,650	81,100	- 6,550	- 7 %
Jo Story Senior Center	130,309	113,559	- 16,750	- 13 %
Transportation Grant	22,720	22,445	- 275	- 1 %
Andrews Meeting Hall	10,800	8,800	- 2,000	- 19 %
Miscellaneous Grants	30,000	30,000	0	0 %
Community Center	61,148	48,218	- 12,930	- 21 %
Library	340,597	276,894	- 63,703	- 19 %
Cemetery	193,703	177,703	- 16,000	- 8 %
Property Maintenance	683,067	658,067	- 25,000	- 4 %
Misc/Cont. RVRS 1-cent	120,000	85,000	- 35,000	- 29 %
Roanoke Canal Museum	115,027	58,515	- 56,512	- 49 %
Transfers (Required)	952,140	952,137	- 3	0 %
Debt Service	453,606	453,607	2	0 %
Capital Reserve	500	0	- 500	- 100 %
TOTAL GENERAL FUND EXPENDITURES	\$ 19,367,199	\$ 16,887,591	- 2,479,608	- 13 %

Closing Summary

The Fiscal Year 2022-2023 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.

I hope we will be able to use American Rescue Plan Act (ARPA) funds to invest in the transformation and growth of our community in order to compete with other cities and towns. The ARPA funds will allow the City to move forward with innovations and improvements in technology to become more efficient and cost-effective. This can be realized using ARPA funds to pay for the significant initial development 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 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, I remain confident and hopeful that the City will overcome these immediate challenges with innovation, technology, and engaging employees in quality services.

Budget Adoption

The City of Roanoke Rapids’ annual operating budget is adopted by ordinance in accordance with the North Carolina Local Government Budget and Fiscal Control Act (LGBFCA) which states that estimated revenues and appropriated fund balances equal appropriations. The budget is developed on a cash basis, including only expenditures and revenues expected to be realized during the fiscal year. State statute also sets the fiscal year as beginning July 1 and ending June 30; therefore, the City Council must adopt a budget prior to July 1st of each year.

APPENDIX: Budget Guide

The FY 2022-2023 Budget has been prepared in a reader friendly, program-oriented budget format. The following summary provides information on how the reader might best understand the budget by first explaining the format of the budget.

The budget describes recommended City services and revenue sources proposed for the fiscal year beginning July 1, 2022 and ending June 30, 2023. Adopting an annual budget is one of the most important tasks the Mayor and City Council undertake each year. Indeed, it is the single most important policy document that the Mayor and Council will approve. It is through the adoption and implementation of the budget that the interests and values of our community are translated into plans for and the service delivery of programs, projects, services, and resources intended to benefit the citizens of Roanoke Rapids.

BASIS OF BUDGETING

In accordance with the North Carolina General Statutes, the City is required to budget and account for its funds on the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become available. Expenditures are recognized in the accounting period in which the goods and services are received (except for unmatured interest on general long-term debt, which is recognized when due). The City's accounting records for general governmental operations are reported on the modified accrual basis. Enterprise and pension trust operations are reported on the accrual basis.

The General Statutes also provide for balanced project ordinances for the life of the projects, including both capital and grant activities, which are expected to extend beyond the end of the fiscal year. The budgeted appropriations for capital and grant projects do not lapse until the completion of the project, while appropriations for funds that adopt annual budgets lapse at the end of the fiscal year.

In keeping with state law, the budget is prepared and accounted for on a modified accrual basis for the general fund, enterprise funds, and the Powell Bill fund. All other funds, including capital project and grant funds adopt multi-year budgets.

In keeping with Generally Accepted Accounting Principles (GAAP), financial statements for proprietary funds are prepared on a full accrual basis. A reconciliation of the full accrual basis to modified accrual basis (budgetary basis) is included in the annual financial statements for enterprise funds.

Budget Structure

Fund Accounting, required for governmental units, is the style of accounting used to segregate and account for restricted resources. The City of Roanoke Rapids develops its source and use of funds estimates contained in the annual budget in a manner that follows general accepted accounting principles (GAAP). The budget is organized based on funds, each of which is considered a separate budgetary and accounting entity. Governmental resources are accounted for in individual funds based upon the purposes for which they are to be spent.

The primary focuses of most budget documents are the revenue and expenditure appropriations. The City's operating expenditures are organized into the following hierarchy: Funds, Departments, Categories and Line Items. To better understand the budget documents, the terms in the City's financial structure should be understood.

DEPARTMENTAL EXPENDITURE CATEGORIES

Each department is broken down into four categories:

- A. Personnel Services includes salaries and wages (full-time and part-time), pensions, health insurance, longevity, merit and other fringe benefits.
- B. Operating pertains to the daily operations that provide basic governmental services such as supplies, utilities, materials, and travel.
- C. Debt Service includes appropriated principal and interest payments for any outstanding debt within each funds department.
- D. Capital Outlay includes funds for the purchase of equipment, land or other fixed assets valued at more than \$1,000 with a lifespan of at least 5-years.

LINE ITEMS

Each budget consists of individual line items which identify specific expenditures and revenues. Line items are the most detailed way to list budget information.

BUDGET AMENDMENTS

Throughout the fiscal year, adjustments to the original budget ordinance may become necessary to meet changing circumstances, better carry out planned programs and provide for new Council initiatives. Two types of changes can occur – budget amendments and **budget transfers**. Such changes are required at the line-item level of the budget underlying the budget ordinance.

A budget amendment increases or decreases the revenue and expenditures of an appropriated fund (this may involve decreases or increases in revenue and expenditures or shifting of monies between funds). Budget amendments, in accordance with North Carolina Statute 159-15, require the approval of City Council. Amendment requests are submitted to the Finance Department and approved by the City Manager prior to submittal to City Council.

BUDGET TRANSFERS

A budget transfer changes line-item appropriations within a particular fund without changing the fund total. Interdepartmental budget transfers are prepared by the Department Directors. All transfer actions are reviewed and approved by both the Finance Director and the City Manager.

BUDGET CALENDAR

With new leadership in place at the close of FY 2022 and the start of FY 2023, the City Administration desires to improve the budgeting process with advance planning for FY 2024. to begin early in the fiscal year.

Early in the fiscal year, the city should consider development/review of a Capital Improvements Program (such as a five- or ten- year planning document) and distribute the annual operating budget instructions and forms to Department Directors.

The Department Directors have approximately three (3) months to concentrate on developing goals and objectives, requesting expenses and justifying any capital outlay for their department for the upcoming fiscal year.

After reviewing initial budget requests, the City Manager and select staff meet with Department Directors. These informal meetings allow Department Heads to fully explain their requests and respond to questions from the City Manager. After these review meetings, expenditure and revenue decisions are made and line-item recommendations are put into draft form, and presented to the Mayor, City Council and Department Directors.

Several Council/Staff work sessions are held that focus on the Operating and Capital Budgets for the upcoming year. Council directives are stated during these meetings and then incorporated into each budget document.

A public hearing on the proposed budget must be held prior to budget adoption, which may occur in May or early June. Citizen concerns are voiced to the Mayor and Council at this public hearing.

The proposed budget must be available for public inspection for at least 10-days prior to adoption by City Council.

Usually, the budget is adopted at the City Council's last regular meeting in June or at a special called meeting set for the purpose of adopting the budget after the Budget hearing. The budget must be adopted prior to the start of the new fiscal year on July 1.