

## MEMORANDUM

To: Town Council  
From: Richard Roedner, Town Manager  
Date: March 20, 2024  
Re: FY 25 Budget Submission

Attached is my recommended budget for FY 25 for your consideration. At the February Retreat, you heard from Department Heads about their goals and needs for the coming year. We have also heard from the Council about the need to be more competitive with neighboring communities when it comes to wages and benefits. While not perfect, this budget achieves many of these goals. It also has issues that are not addressed currently.

As background, I requested Capital budget items from our Departments in November, with full budget requests due the second week of January. These requests were compiled into a proposed budget for the Council's Budget Retreat. After the discussions at the Retreat about departmental priorities, followed by two meetings with the Budget Liaison Committee, I have made adjustments to the department requests to create my recommended budget.

Over the next month and a half, the Council will have the opportunity to discuss the budget as desired, prior to holding a public hearing on May 14. Following the hearing, the Council will again have an opportunity to discuss the budget prior to a planned vote on June 12.

### **Issues to be addressed**

As noted, there is one issue that has not completely been addressed at this point, due to the lack of complete information.

### **Wages and Benefits**

The first is pay adjustments that may be needed based on the Grade and Compensation study that is underway. As we have discussed previously, the recent wage adjustment the Council approved was a good first step in the process of bringing Elon employees into a competitive position with other communities in our region, but is likely not the last step. We won't know until April or May what future adjustments will be required. The wage lines have been adjusted by a 3% Cost of Living Adjustment (COLA), which is close to recent inflation rates of 3.2%. However, this COLA may have to be adjusted during our budget deliberations based on COLAs that are being provided by other communities that we are surveying as part of our Grade & Compensation Study.

### **Budgetary goals**

#### **Staffing Needs**

In the Departmental requests, the need for additional staff was raised by three departments. Upgrading an existing part time position for Downtown to full time was requested. However, after careful consideration, this budget provides for additional hours per week, as well as a rate adjustment commensurate with the skills and tasks required.

The Public Works Department had requested two positions to focus primarily on landscaping and grounds maintenance. Currently, we have no one on staff whose job is geared toward the upkeep and maintenance of our landscaped areas, our grounds and parks or our flowers downtown. After feedback from the Budget Liaison Committee, and a review of private contracting options, one position has been removed from my recommended budget.

Lastly, an existing part time position that was funded in the current year budget for a specific project, has been reduced to fewer hours due to the demise of the anticipated project. The additional part time hours for the Recreation Department will allow it to assign additional labor to program management, rental area prep and monitoring, and other sundry duties.

### Employee Compensation

The proposed budget has maintained the 5% wage increase that the Council approved in January. Additional funding will likely be needed to address changes recommended by our Grade and Classification Study. Similarly, the budget includes a 3% COLA for the coming year, which also may need to be addressed down the road as more information is gathered about regional COLA proposals.

### Capital Investment

The proposed budget continues our efforts to upgrade our rolling stock, including replacing three aging police cruisers, an administrative vehicle in the Fire Department.

We are also preparing ourselves for the eventual replacement of our Police Department, by including additional funds for the next step in the process, site planning and engineering.

A major push is being made to bring our emergency services communications into conformance with new Federal rules. Both the Police and Fire Departments are budgeting to replace radios and other communication equipment in the upcoming budget.

### Technology

We have worked closely with our IT consultants, ComTech, over the years to keep our servers up to date. However, we have lagged when it comes to replacing computer hardware. Many of our computers are nearing the end of their useful life and will need to be replaced. Individually, most departments have funds available to replace one or two a year. In the proposed budget, I have included \$27,500 in our IT Contract line for new hardware purchases. This will help us this year to replace those machines most in need of replacing. In future years, we will include additional funding to replace the remaining machines.

### Summaries

Our departmental budgets are broken into four sections:

- Personnel, which includes all payroll and benefit costs
- Operations, which includes all normal day to day expenses for a department
- Contracted Services, which includes funds for outside assistance in achieving our goals
- Capital, which is reserved for large investments in items that have a long life. Generally, I use a \$10,000 and 10-year time frame

Each annual budget brings changes in priorities and emphasis. In the proposed budget, our emphasis is focused largely on making our wage and benefit package competitive in the market. With the January wage increase, and the additional staffing proposed:

Personnel Costs are up about 7.4%, pending additional adjustments related to the Wage and Compensation Study.

Operational expenses are relatively flat.

Contracted Services is up about 1.5%.

Capital expenses are down about 17.5%

## **Areas of Note**

### **Use of General Fund Balance**

At the end of the 2023 fiscal year, our General Fund Balance was over 100% of our annual budget. The Council has stated a desire to reduce this fund balance to a more appropriate level of about 40% our annual budget. The use of our Fund Balance is up this year by about \$270,000. This is largely related to increased payroll costs, and a decision to purchase new radios for the Fire Department, rather than pay over \$250,000 in interest by leasing them over 7 years. As noted in the past, a continued reliance on the General Fund Balance creates an imbalance in our budget, by using 'one time' funds for ongoing expenses. Over the past two years, the General Fund Balance has been used to cover nearly all capital expenses, and in the upcoming year, increased personnel costs.

### **Anticipated Growth**

As you are all aware, Elon made a strategic move several years ago to purchase the Travis Creek Pump Station from Gibsonville. This purchase process also defined a line of agreement between Elon and Gibsonville. This decision has led directly to the approval of over 180 single family homes, which should begin construction by the end of the calendar year. The developer initially anticipated about a 5-year build out.

In addition, two additional projects have been approved, with one under construction. Between the two of these projects, we anticipate an additional 360 owner-occupied homes, and upwards of about 180 rental units will be built over the next 5-8 years. This additional tax revenue will help us re-balance our funding model by shifting more toward tax revenue, with less reliance on fund balance.

### **Outside Funding**

Over the past several years, Elon has been the recipient of several large grants from the state and federal governments. These funds are above and beyond our General Fund Balance, and are helping us make important, and long-delayed investments in our infrastructure, as follows:

2021 - The Federal Government allocated approximately \$3.9 million of American Recovery and Planning Act funds to Elon. We used these funds to replace lost revenue during COVID and

compensated the Town for past payroll expenses. The result is that this \$3.9 million is now available to the Town for future projects as it determines is in the best interest of the Town.

2022 - The General Assembly allocated \$2.4 million to Elon to replace the E. Haggard Water Line. This investment was matched by about \$790,000 of Town funds. The project is underway and is slated for completion this coming summer.

2022 - Elon received over \$300,000 in funding the Department of Environmental Quality, to investigate our water distribution system for the present of lead and copper. This evaluation process is underway. Once completed, there will be replacement projects in future budgets, hopefully via additional state funding.

2023 - The General Assembly allocated \$2.0 million to Elon for water/sewer projects. This money was not allocated to a specific project, and we are working on determining the best investment option.

2024 - Elon was the recipient of over \$100,000 from Congressionally Directed Expenditures (formerly call Earmarks). These funds came to us via intervention by Senator Tillis' office and will be used to replace computers in our police cruisers.

This budget has been created with no proposed increase in the tax rate, no increase proposed in the solid waste or stormwater fees, and no increase in the water/sewer rates.