



Town of Mocksville

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May 31, 2023

The Honorable Will Marklin, Mayor
Town Board of Commissioners
Town of Mocksville, North Carolina

Dear Mayor and Board of Commissioners:

In accordance with N.C.G.S. 59-11, I am pleased to submit for your consideration the proposed budget for Fiscal Year 2023-24. The budget is balanced with respect to revenues and expenditures and meets all requirements of the North Carolina Local Government Budget and Fiscal Control Act.

Overview of FY 2023-24 Budget

On February 4, 2023, the Board of Commissioners participated in a Budget Retreat where you heard from Department Heads and me regarding operational, capital and personnel needs. You also heard from Davie County EDC and Willis Engineers on the economic development outlook and infrastructure challenges the Town faces in the near future. I provided a progress report on our Strategic Goals and Action Items set for FY 2022-23. Our Strategic Plan will guide the Town in making sound fiscal decisions in line with our stated goals for FY 2023-24 and into the future. We also engaged in a prioritization exercise where the Board identified three areas of focus in developing the budget. First, the Board indicated a desire to continue building Fund Balance. The June 30, 2022 Fund Balance was 104% of General Fund Expenditures and represented a 21% increase over June 30, 2021. This is a strong indicator of a well-managed community. Second, the Board expressed a desire to eliminate the current \$15 vehicle tax. This tax generates roughly \$70,000 annually, which is the equivalent of \$24.1M in tax base. Finally, the Board wished to maintain the stability of our 29¢ property tax rate. The Board received supplemental information during three public budget presentations on March 7th, April 4th, and April 17th. These presentations and discussions have brought our current internal weaknesses, external threats and capital needs into greater focus.

Internal Weaknesses

- Lack of Data Driven Plans to Inform Strategic Decisions
- Aging / Failing Equipment & Facilities
- Ineffective Code Enforcement
- Shortage of Certified / Qualified Staff

- Incomplete Wayfinding System for Directing Traffic Downtown

External Threats

- Rising Inflation
 - Significant Construction & Materials Cost Increases
 - Staff Recruitment & Retention More Challenging
- Supply Chain Disruptions
 - Timeliness of Maintenance & Repairs
 - Must Purchase When Available
 - Cost Increases to Substitute Unavailable Items
- Labor Shortage
 - Region at “Full Plus” Employment
 - Makes Recruiting Qualified Staff More Difficult
- Increasing Pressures on Infrastructure due to Development & Age
 - Water, Sewer, Streets, Parking, Facilities

Capital Needs

- Street Paving & Sidewalk Repair
- Intersection Improvements at Gaither Street & North Salisbury Street
- Pedestrian Improvements at N. Main Street & Gaither Street
- Turn Out Gear, Thermal Camera, AED Units, Hose and Rescue Gear for Fire Department
- Shelter Improvements, Parking Lot Expansion, Sand Pro, Softball Field Ramp & Steps for Parks & Grounds
- Picnic Shelter on East Deport Street (Project Not Completed in FY2022-23)
- Dump Bed, Rollover Box, Angle Grader and Pallet Forks for Public Services
- Phase 3 - Wayfinding Signs, Trees and Ornamental Fence for Downtown Beautification
- ADA Bathroom Remodel and Phase II of Brick Paver Repairs for Town Hall
- 12” Water Main Extension & North Elevated Water Tank
- Sewer Facilities to Serve Brakebush
- Upgrades to Madison Road Pump Station
- New Chemical Tank at Waste Water Treatment Plant
- Southpoint Pump Station and Force Main Upgrades
- Asset Inventory and Assessment for Water & Sewer Infrastructure / Operations

The FY 2023-24 proposed budget uses the Town’s limited fiscal resources effectively, prioritizes capital needs for each department, enhances the fund balance, reduces the tax burden on our residents and maintains a stable property tax rate.

Mocksville’s Total Budget for FY 2023-24 is **\$10,950,979**, an increase of **10.4%** from FY 2022-23. The increase in the budget is supported by strong revenue growth in the General Fund (**+6.5%**) and Enterprise Fund (**+16.5%**).

Grant Opportunities

The Town leadership team is continuously looking for grant opportunities that can fully fund or supplement the cost of delivering programs and services to the community. Identifying and applying for grants that match our strategic goals creates opportunities to deliver a higher level of service while minimizing the financial impact to our residents and businesses. The NC Industrial

Development Fund (IDF) recently awarded the Town a \$1,089,000 grant to extend a 12” water main from Quality Drive to our planned 500,000 elevated water storage tank on the Cana Road industrial site. We are also seeking a \$650,000 Carbon Reduction Grant to further our greenway connections goal. In addition to these funding strategies, the Town has submitted \$4.8M in direct state budget allocation requests for infrastructure improvements, facilities improvements and strategic downtown development.

Partnership Opportunities

The Board’s willingness to seek partnerships that enhance service delivery continues to create efficiencies and cost savings that can be applied to strategic priorities. Our contract for law enforcement services with the Davie County Sheriff’s Office is an excellent example. The \$345,000 in annual savings has been applied to address strategic priorities including establishing our six full-time firefighters, replacing failing equipment, improving staff retention through pay and classification study recommendations, and providing a 5% COLA. In FY 2023-24 full-time fire staffing will be maintained, career ladder staff development for Public Works and Parks & Grounds will be fully implemented, a 5% COLA will be provided and the \$15 vehicle tax can be eliminated if the Board so chooses.

Construction on the Brakebush force main and associated infrastructure improvements will continue in FY 2023-24. This partnership project with Davie County will free up around 50% of plant capacity at the Dutchman’s Creek Waste Water Treatment Plant (WWTP) and send it to the Davie County WWTP in Cooleemee. This will create capacity for development in Davie County around the growing Farmington area.

The Town experienced mixed results on our partnership with Davie County to deliver more effective code enforcement. Therefore, in FY 2023-24 the Town will return to a contract service for minimum housing and major nuisance cases while Davie County handles high grass complaints and other minor nuisance issues.

Finally, the joint Davie County and Town of Mocksville Water Treatment Plant project broke ground this spring and is expected to be completed in 2025. Although rate increases are associated with the cost of the project, they are less than what the Town would have needed to charge had we remodeled or rebuilt our failing treatment plant solely for the Town’s use. The rate increase calculated by Raftelis, a neutral third party consultant, to ensure rates are sufficient to run and maintain the system is 3% for FY 2023-24.

Fund Balance

Based on our most recent audit for the period ending June 30, 2022, available fund balance was **\$5,727,000**, which was **104%** of General Fund expenditures. This represented an increase of **21%** (**\$973,312**) over the June 30, 2021 balance. Building and maintaining a healthy fund balance is essential for sound fiscal management of the Town. I am pleased to report to the Board that the proposed budget does not appropriate any fund balance for FY 2023-24.

Debt

The Town budgeted to expend **\$219,156** on debt service in the General Fund for FY 2022-23. This amount is **\$119,156** more than FY 2023-24 due to paying off the fire truck loan. The remaining

\$100,000 debt service payment is for a REDLG Loan through the USDA to extend utilities to Gildan in 2015 as an economic development project with Davie Industrial Center, LLC. The Gildan REDLG loan will be paid in full in 2026.

The Enterprise Fund includes an annual debt service payment of **\$281,223** for Waste Water Treatment Plant capacity upgrades completed in FY 2021-22.

Personnel

The proposed FY 2023-24 budget includes **\$70,000** for a 5% Cost of Living Adjustment (COLA) for full time employees. A COLA adjustment is used to target inflation and is not a merit or market adjustment. The COLA adjustments the Town has provided over the last five years were 5.1% below the inflation rate so a 5% COLA will keep our staff pay just slightly lower than inflation.

The Town will have 30 approved full-time positions budgeted for FY 2023-24 and 20 approved part-time positions. There is usually some fluctuation in the number of part-time and seasonal employees, especially in the fire department, as the budgeted amount rather than a set number of positions govern the number.

Overview of FY 2023-2024 General Fund

The General Fund is the Town's public services fund and includes all operations except for those incorporated in the Water and Sewer Enterprise Fund, which are statutorily required to be Proprietary Funds. The General Fund is the Town's largest fund and I have set the proposed budget at **\$6,657,774** for FY 2023-24. This is an increase of **6.5%** from the approved FY 2022-23 Budget.

General Fund Revenues

The proposed General Fund Budget includes a fee increase request that is being made due to the current Parks & Grounds rate structure not covering the cost of providing services / maintaining facilities. The proposed fee adjustment is consistent with those charged by municipal and county recreation departments in Davie County and surrounding communities.

- **Shelter Rentals:** Change Resident Rental from Free to ½ of Rate Charged Non-Residents

Ad Valorem (real property) taxes account for the largest source of revenue for the General Fund and make up **52%** of all General Fund revenues.

I recommend the Ad Valorem tax rate be set at **29¢ (\$0.29/\$100)** which will generate **\$3,228,029** for FY 2023-24.

The FY 2023-24 budget does not include the **\$15** General Motor Vehicle Tax. The tax would generate **\$70,000** in revenues if the Board decides to keep it in effect. Otherwise, the Board can eliminate it altogether.

I have projected Sales and Use tax collections at **\$1,264,596** and Franchise Tax collections at **\$450,000** for FY 2023-24.

Town staff and I will closely monitor projected revenue streams throughout the budget year due to continued market volatility, rising interest rates, the ongoing economic recovery and inflationary concerns.

General Fund Capital Projects

In 2019, the Board of Commissioners approved the establishment of Capital Reserve Funds for the General Fund. Capital Reserve Funds serve as a long-range financial planning tool to finance future capital projects. The proposed FY 2023-24 budget includes \$50,000 to fund the purchase of a fire truck when replacement is required.

The Board may use Capital Reserve Funds for other types of capital projects at their discretion. However, the Board may not use the funds for personnel or operational expenses in future budgets.

I have not requested the establishment of any new Capital Project Funds for FY 2023-24. Staff will request the Board to approve a Capital Project Fund when a project is expected to expend funds over multiple fiscal years.

In addition to the Capital Reserve Fund noted, the Town has several capital improvements budgeted for FY 2022-23 that include the following:

- East Depot Street Picnic Shelter **\$ 13,000**
- ADA Bathroom Remodel and Paver Repairs at Town Hall **\$ 59,485**
- Fire Department Safety and Emergency Response Equipment **\$118,550**
- Wayfinding Signs, Trees and Fence for Downtown Beautification **\$ 56,900**
- Facilities Improvements and Sand Pro for Parks & Grounds **\$100,372**
- Intersection Improvements / Sidewalk Street Maintenance **\$293,646**

Overview of FY 2023-24 Water and Sewer Enterprise Fund

The Water and Sewer Fund was established as an enterprise-type activity for the Town. It is meant to be self-sustaining with its own revenue stream. The Town owns and operates a 2.0 MGD water treatment plant and 1.0 MGD wastewater treatment plant.

I am proposing the FY 2023-24 budget for the Water and Sewer Fund to be set at **\$4,293,205**. This includes the **3%** rate increase recommended by Raftelis. The proposed 3% rate increase equates to a bi-monthly increase of **\$1.11** for a customer in the corporate limits using 3,000 gallons of water. The increase for those living outside the corporate limits using 3,000 gallons of water will be **\$1.68**. Overall, the Enterprise Fund budget has increased by **16.5%** from the approved FY 2022-23 budget. However, the increase is directly tied to strong revenue growth that is primarily driven by full capacity operations at the Brakebush Brothers facility.

Water and Sewer Fund Capital Projects

As with the General Fund, the Board of Commissioners approved the establishment of Capital Reserve Funds for the Water and Sewer Enterprise Fund. Capital Reserve Funds serve as a long-range financial planning tool to finance future capital projects. I am not requesting any funding in the proposed budget for Water and Sewer Enterprise Fund Capital Reserve:

The Board may use Capital Reserve Funds for other types of capital projects at their discretion. However, the Board may not use the funds for personnel or operational expenses in future budgets.

There are five capital projects in FY 2023-24 that will be paid through the Enterprise Fund:

- Chemical Tank for Dutchman’s Creek WWTP **\$ 75,000**
- Madison Road Pump Station Improvements **\$ 300,000**
- Capital Project Ordinance for Brakebush (Cost Increases) **\$ 123,694**
- North Elevated Tank **\$ 346,200**
- Valve Replacements (Under Pressure) **\$ 120,869**

Total Enterprise Fund expenditures do not include the Capital Project Ordinances created for the following projects:

- Facilities to Serve Brakebush **\$4,462,908**
- Southpoint Pump Station and Force Main **\$1,640,000**
- Water & Waste Water Asset Inventory & Assessments **\$ 400,000**
- North Elevated Tank **\$3,406,200**

Conclusion

We continue to see the ripple effects of the COVID-19 pandemic even as we enter the fourth full year after it began in March 2020. Disruptions include inflation, higher construction costs, labor shortages and supply chain issues. These variables continue to increase our costs for delivering programs and services to the community. As we navigate FY 2023-24, staff will closely monitor inflation and note any significant trends in sales and use tax since this revenue is the most sensitive to economic downturns. However, there is much to be hopeful for in the economy. This includes nearly 750 housing units planned in Mocksville over the next several years, a robust spec building program with more than 2,000,000 square feet of additional industrial space in the works, a full employment rate and businesses that have committed to investing nearly \$148,000,000 in Mocksville over the next two years alone.

While internal and external pressures will continue to affect the Town of Mocksville’s finances, the FY 2023-24 budget efficiently and effectively uses our limited resources to deliver services our community values. Mocksville taxpayers can take pride in the Board’s emphasis on fiscal responsibility with a regionally competitive tax rate, a low level of debt service and a commitment to strengthen our Fund Balance. Town staff will continue to pursue grant opportunities, seek beneficial partnerships for service delivery, streamline operations and provide technical guidance to facilitate wise capital investments. This commitment to fiscal excellence and community investment makes the Town of Mocksville a great place to live, work and raise a family.

I appreciate the leadership and support provided by the Mayor and Board of Commissioners during the budget process. I would also like to thank all the leadership team and staff for their many hours of effort in developing the budget. The citizens of Mocksville are fortunate to have such a dedicated and hardworking team of public servants.

Copies of this document will be posted on the Town’s website and available for public review in the Town Clerk’s office.

Ken Gamble

Ken Gamble
Town Manager