



Town of Mocksville

171 Clement Street • Mocksville, North Carolina 27028

Phone (336) 573-6700 • Fax (336) 751-9187

www.townofmocksville.org

June 5, 2024

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 budget for Fiscal Year 2024-25 as revised on June 4, 2024. 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 2024-25 Budget

On February 10, 2024, the Board of Commissioners participated in a Budget Retreat where you heard from Department Heads and staff 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 2023-24. Our Strategic Plan will guide the Town in making sound fiscal decisions in line with our stated goals for FY 2024-25 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 expressed a desire to update the Mocksville Zoning Ordinance and 2019 Comprehensive Plan. Second, the Board wished to maintain the stability of our 29C property tax rate. Lastly, the Board wanted to identify and fund new sidewalk projects. The Board received information directly from non-profits seeking Town funding on February 6th and additional information during public budget presentations on March 5th, April 2nd April 30th, May 7th, with the Public Hearing on the budget held on June 4th. These presentations and discussions have brought our current internal weaknesses, external threats and capital needs into greater focus.

Internal Weaknesses

- Aging / Failing Equipment & Facility Needs
- Insufficient Staffing for Workload
- Shortage of Certified / Qualified Staff
- High Turnover Rate
- Management and Planning Tools for a Growing Community

External Threats

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

Capital Needs

- Street Paving & Sidewalk Repair / Construction
- Pedestrian Improvements at N. Main Street & Gaither Street
- Turn Out Gear, Jaws of Life, Knox Master Key Control, Level A Hazmat Suits, Hose and Facility Amenities for Fire Department
- Leaf Truck and Equipment Attachments (Grapple Bucket and Loader) for Parks & Grounds
- Used Dump Truck for Public Services
- Complete Wayfinding Sign Project and Final Phase of Main Street Streetscape Project
- Phase III of Brick Paver Repairs for Town Hall
- Decorative Street Light Replacement & LED Upgrades
- Property Acquisition to Expand and Improve Downtown
- 12” Water Main Extension & North Elevated 500,000 Gallon Water Tank
- Pump Station Upgrades
- Southpoint Pump Station and Force Main Upgrades

The FY 2024-25 budget uses the Town’s limited fiscal resources effectively, prioritizes capital needs for each department, enhances the fund balance, meets contract increases for law enforcement and solid waste services without raising taxes or fees, maintains a stable property tax rate and responsibly manages cost increases in the Enterprise Fund to meet system needs.

Mocksville’s Total Budget for FY 2024-25 is **\$12,665,471**, an increase of **13.5%** from FY 2023-24. The increase in the budget is supported by strong revenue sources in both the General Fund (**+8.8%**) and Enterprise Fund (**+25.0%**).

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 Town has secured \$6,100,000 in project funding during FY2023-24 to be spent over this budget year and FY 2024-25 to enable us to address several of our current capital needs including installing pedestrian crossing improvements at Main Street & Gaither Street, replacing decorative street lights and transitioning to LED, upgrading sidewalk on W. Depot Street at 59 Court Square to ADA

standards, purchasing and installing the last 18 signs to complete the wayfinding project and acquiring property to expand and enhance the downtown district.

The Town is also seeking new funding opportunities including a S.A.F.E.R grant to increase full time staffing in the fire department and has made \$12.5M in direct state budget allocation requests to facilitate infrastructure improvements and recreation facility maintenance / enhancements.

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 over the first three years of the contract 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, career ladder opportunities, and providing a COLA equivalent to the actual inflation rate through FY23-24.

Construction on the Brakebush force main and associated infrastructure improvements will be completed and go online by the end of 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 and allow our community to grow as well. There will be a cost impact in the Enterprise Fund in FY 2024-25 due to the Brakebush sewer flow being treated by Davie County utilities rather than our plant.

Finally, the joint Davie County and Town of Mocksville Water Treatment Plant project broke ground in the spring of 2023 and is expected to be completed in FY 2025-26. 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 6% for Water and 10% for sewer in FY 2024-25.

Fund Balance

Based on our most recent audit for the period ending June 30, 2023, available fund balance was **\$8,860,286**, which was **162%** of General Fund expenditures. This represented an increase of **55%** (**\$3,133,286**) over the June 30, 2022 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 budget does not appropriate any fund balance for FY 2024-25. However, there are two Enterprise Fund projects going out to bid in late May. If the actual cost of either of those projects exceeds the grant funding currently in place I will recommend that Fund Balance cover the difference. This strategy will help keep rate increases to a minimum.

Debt

The Town budgeted to expend **\$100,000** on debt service in the General Fund for FY 2024-25. This is the annual payment 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 FY 2024-25 budget includes a 2.5% raise for all part-time employees at a cost of **\$7,684**. This primarily impacts the fire department as they have almost all of the Town's part-time staff.

The budget includes 3 new full time positions in the Enterprise Fund with a total cost of **\$172,266**. Two (2) of these new employees will primarily be meter readers but will also perform other Public Services Technician duties. The last of the 3 new employees will work at the Waste Water Treatment Plant with the goal of becoming a state certified plant operator in preparation for the end of the Envirolink management contract in 2026.

The Town will have 33 approved full-time positions budgeted for FY 2024-25 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 governs the number.

Overview of FY 2024-2025 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 budget at **\$7,300,394** for FY 2024-25. This is an increase of **8.8%** from the approved FY 2023-24 Budget.

General Fund Revenues

The General Fund Budget does not include any rate or fee increases for FY 2024-25.

Staff is currently working on a solid waste fine to be included in the Schedule of Fees. This fine is to discourage commercial properties or apartment complexes from allowing their dumpsters to overflow and create a nuisance. The impact to revenues will be negligible.

Ad Valorem (real property) taxes account for the largest source of revenue for the General Fund and make up **45%** of all General Fund revenues.

I recommend the Ad Valorem tax rate be set at **29¢ (\$0.29/\$100)** which will generate **\$3,287,977** for FY 2024-25.

I have projected Sales and Use tax collections at **\$1,429,689 (13.0% Growth)** and Franchise Tax collections at **\$485,000 (7.8% Growth)** for FY 2024-25.

Town staff and I will closely monitor projected revenue streams throughout the budget year due while being cognizant of market volatility, changing interest rates, the ongoing economic outlook and inflationary concerns.

Contracted Services

The Town’s contracts for law enforcement with the Davie County Sheriff’s Office and garbage / recycling with Republic Services were both scheduled to expire on June 30, 2024.

The Town issued a Request for Proposals for garbage and recycling services in December 2023 and Republic Services was the low bidder. The contract increase of **12% (\$40,000)** will be absorbed in FY 2024-25 rather than passing the cost on to our customers with a higher fee.

There will also be a **9.4% (\$127,000)** increase for our law enforcement contract with Davie County Sheriff’s Office in FY 2024-25 with those costs also being absorbed by the Town rather than increasing the tax rate.

Our health insurance renewal will have no impact on the FY 2024-25 budget due to the renewal remaining consistent with what we budgeted in FY 2023-24.

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 FY 2024-25 budget includes \$300,000 to fund the purchase of an apparatus to replace Engine 1. The Board authorized ordering the apparatus in March 2024 with projected delivery date in March 2027. The full purchase price is due upon delivery. The balance in the Capital Reserve Fund is projected to exceed the \$1,082,980.00 purchase price by \$196,000 and I recommend the excess funds be used for land acquisition for a future Station 2, which was recommended in the 2023 Fire Needs Study.

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 2024-25. 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 included in the FY 2024-25 budget that include the following:

- Town Hall – Paver Replacement – Phase III **\$ 26,160**
- Fire Department Safety and Emergency Response Equipment **\$ 77,000**
- Fire Department Facility Improvements **\$ 10,000**
- Final Phase of Streetscape Project **\$ 102,000**
- Leaf Truck and Kubota Attachments for Parks & Grounds **\$ 190,000**
- Streets & Sidewalks **\$ 333,140**

Finally, the projects included below are in a separate Capital Project Ordinance funded through a direct state budget allocation the Town received in April 2024. While most of the projects will be completed in FY 2024-25 they are not part of the budget document.

- Final Phase of Wayfinding Sign Project \$ 69,114
- West Depot Street Sidewalk & Curb Improvements \$ 20,250
- Main & Gaither Intersection Pedestrian Improvements \$ 331,614
- Community Center & Farmer’s Market \$1,228,029
- Decorative Street Light Replacement & LED Upgrade \$1,253,845

Overview of FY 2024-25 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 2024-25 budget for the Water and Sewer Fund be set at **\$5,365,077**. This includes a **6%** water rate and **10%** sewer rate increase recommended by Raftelis. The rate increases equates to a bi-monthly increase of **\$11.34** 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 **\$12.13**. Overall, the Enterprise Fund budget has increased by **25.0%** from the approved FY 2023-24 budget. However, the increases are linked to strong revenues driven by full capacity operations at the Brakebush Brothers facility, significant residential development and new system development fees. The largest cost escalation is the diversion of the Brakebush sewer flow to Davie County, which increases our treatment costs by almost **\$475,000** annually.

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 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 three capital projects in FY 2024-25 that will be fully financed through the Enterprise Fund:

- Water Supply Interconnection \$ 500,000
 - 601 S. Booster Pump Station Improvements
 - Water Loss Reduction
 - SCADA Replacement
- Pump Station Improvements \$ 275,000
- Lead Service Line Inventory \$ 35,000

There were two capital projects which have their own Capital Project Ordinances and just completed the bidding and award process. The additional funding required to complete the budget for the North Elevated Tank is expected to come from Enterprise Fund – Fund Balance in FY 2025-26 & FY 2026-27 depending on the wait time for tank manufacture. The Southpoint Pump Station & Force Main Project is fully funded with grant proceeds.

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

- Southpoint Pump Station and Force Main **\$1,537,777**
- North Elevated Tank **\$4,190,309**

Conclusion

We continue to see the ripple effects of the COVID-19 pandemic even as we prepare to enter the fifth budget 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 2024-25, 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 620 housing units planned in Mocksville over the next several years, a robust spec building program with the potential for more than 2,000,000 square feet of additional industrial space on properties already zoned for industrial use, 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 2024-25 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