



CITY OF MONROE

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May 13, 2008

The Honorable Bobby G. Kilgore, Mayor
Members of the City Council
Monroe, North Carolina

Dear Mayor Kilgore and Members of the City Council:

I am pleased to present for your review the proposed budget for Fiscal Year 2008-2009. The budget as proposed provides funding for the continuation of high quality, efficient municipal services that our citizens expect, and also provides dollars for investment in capital equipment needed to safely and effectively provide those services. Through your direction, you have also allowed me to recommend continued funding for our employees to receive competitive salaries and benefits. Our employees strive each day to provide our citizens with the best municipal services, and they are our City's greatest resource.

Monroe continues to experience a vibrant economy, with growth in the industrial, commercial, and residential sectors. In order to support this growth, the City must add equipment, personnel, and facilities to provide the needed municipal services to our residents and businesses, and to also provide services to those who come to our city each day to work, shop, or visit. However, while we continue to experience significant growth, several of our revenue sources in the General Fund are growing much more slowly. For example, our sales tax revenue continues to experience slow growth, due to the tremendous growth in Union County's assessed valuation as compared to the City's valuation.

Union County recently completed a revaluation of all real property, including the property within the City of Monroe. Based on this revaluation, we project that in order to maintain a revenue-neutral property tax rate, our current tax rate of \$0.55 per \$100 valuation would be reduced to \$0.47. However, in order to support the addition of four police officers, two code enforcement positions, and the reduction of funding from the SAFER Grant with regard to the 12 firefighters hired in the current year's budget, I am recommending that the City Council consider a three-cent real estate property tax rate increase in order to adequately fund the various activities and operations of the City's General Fund. This would establish the tax rate at \$0.50 per \$100 of valuation for the fiscal year beginning July 1.

The recommended budget for the 2008-2009 fiscal year totals \$127,399,360, an increase of \$14,262,845 over the current year combined budget of \$113,136,515. The primary reasons for the increase are a \$4.5 million increase in the cost of natural gas purchases for resale; a \$3.3 million increase in the cost of electricity purchases for resale; \$1.9 million for the construction of a permanent fire station to replace temporary station #4; principal and interest payments on the 2007 revenue bond issue of \$1.9 million; and an increase in personnel salaries and benefits of \$1.7 million dollars.

GENERAL FUND

The proposed General Fund Budget for the 2008-2009 fiscal year is \$34,414,888, an increase of \$4,401,272 (14.7%) from the current fiscal year. Highlights of the General Fund Budget include:

- A proposed three-cent increase in real estate property tax, from a revenue neutral rate of 47 cents to 50 cents;
- \$15,359,000 in revenues from real and other general property taxes, up 9.0% from FY 2007-08;
- \$385,118 in support of the City's airport operations;
- \$302,124 for the operation of the City's downtown program, with an additional \$34,700 collected in Municipal Service District taxes;
- An appropriation to outside agencies of \$177,700, a decrease of \$116,693 from the current year appropriation of \$294,393;
- Investment earnings of \$680,000, a decrease of \$40,000 from fiscal year 2007-2008;
- The addition of seven new full-time and two part-time employees: four police officers, two code enforcement inspectors, and one recreation center supervisor and two part-time parks and recreation employees to staff the renovated Armory on Johnson Street;
- Funding of \$16,182,866 for the operation of the City's police and fire departments, an increase of \$3,033,235 (23%) from the current fiscal year; and
- Total capital funding of \$4,252,390 for the new fiscal year.

The fiscal year 2008-2009 budget also includes funding for a 2.5% cost of living increase for all non-probationary City employees, effective July 1, and also includes funding for the City's pay for performance program, which allows employees to earn up to an additional 4% increase in salary, based on job performance. Additional funding of \$178,900 is also included to bring 96 employees up to the minimum of their pay grades, based on a pay and classification study conducted by Springsted, Inc. earlier this fiscal year. An allocation of \$477,000 is also included across all funds to provide funding for the projected increase in employee health insurance premiums for the fiscal year.

WATER AND SEWER FUND

The proposed budget for the Water and Sewer Fund for the 2008-2009 fiscal year is \$14,653,012, a slight decrease of \$168,668 (1%) from the current fiscal year. Even though the budget has decreased from the 2007-2008 fiscal year, it is the recommendation of staff that the City increase water and sewer rates by 4.5% to begin to recover the significant anticipated cost of future capital projects. Within the next three to five fiscal years, the City will be constructing parallel sewer outfall lines in the Bearskin Creek and Stewarts Creek basins; constructing an expansion/replacement of our existing wastewater treatment plant; and constructing a reclaimed water system.

ELECTRIC FUND

The proposed budget for the Electric Fund for the 2008-2009 fiscal year is \$45,466,900, an increase of \$2,371,900 (5.5%) from the current fiscal year. Even though the City anticipates a wholesale power rate increase for the new year, the proposed budget does not anticipate an electric rate increase for our customers, and provides for the continued investment in our system infrastructure to ensure that we maintain a strong electric system. Capital projects in the FY 2008-2009 budget include substation construction and improvements of \$250,000; replacement of a line truck for \$175,000; new construction to extend lines to serve new customers and to upgrade existing facilities of \$900,000; M.L. King Jr.

Boulevard relocations and line extensions of \$200,000; and Monroe Corporate Center expansion of \$250,000.

NATURAL GAS FUND

The fiscal year 2008-2009 proposed budget for the Natural Gas Fund is \$23,336,743, an increase of 27% (\$4,962,793) from FY 2007-08. The primary reason for the increase is an increase in the cost of natural gas purchases for resale of \$4.5 million dollars.

Proposed projects for the upcoming fiscal year include extension of lines into the Monroe Corporate Center of \$400,000; relocation of natural gas lines along Goldmine Road to accommodate the expansion of the Charlotte-Monroe Executive Airport of \$350,000; and extension of lines into new subdivisions of \$175,000.

A significant capital project that was budgeted in a previous fiscal year is the construction of a 40+ mile natural gas transmission line to connect the City's natural gas system to the Transcontinental pipeline. Right-of-way acquisition is progressing on this project, and we anticipate beginning construction of this project in late 2008 or early 2009.

STORMWATER FUND

Based on the recommendation from the Citizens' Advisory Committee formed to review this issue, the City Council agreed to establish a Stormwater Fund to account for the expenses associated with operating the City's stormwater utility operations, and to recommend initial funding of \$4 per residential unit, beginning January 1, 2009. An additional four positions will be hired to support the utility, including a crew leader, an equipment operator I, an engineering technician II, and a stormwater maintenance worker II.

The total proposed budget for the Stormwater Fund for Fiscal Year 2008-2009 is \$1,071,500.

AIRPORT FUND

The fiscal year 2008-2009 budget for the Airport Fund is \$3,214,493, an increase of \$1,077,974 or 50.5% from the current fiscal year. The reasons for the significant increase are the principal and interest payments on the 2007 revenue bond issue of \$594,600; an increase in capital equipment purchases of \$142,000; and an increase in aviation fuel purchased for resale of \$144,953.

City Council's decision to assume responsibility for airport operations in 2006 has met with much success, and we anticipate even greater opportunities at the airport in the coming year. We continue to pursue plans to strengthen the airport runway and lengthen it from 5,500 to 7,000 feet, as well as make other improvements to our facilities. We have established an excellent rapport with the North Carolina Division of Aviation, and are appreciative of the support and guidance they have provided to us.

CONCLUSION

The City's proposed fiscal year 2008-2009 budget continues a tradition of fiscally conservative operating plans, and provides funding for high quality municipal services to our citizens and businesses. It provides the funding necessary to maintain the programs and activities of our various City departments, and allows

for the investment in capital and human resources, without which we could not perform our jobs efficiently or effectively.

The City's department heads are certainly worthy of recognition for their efforts in submitting prudent and realistic budget requests for the upcoming fiscal year. The department heads were extremely supportive when it came time to find areas to reduce in their respective budgets. Their concern was that our citizens receive the best possible service from the City and its employees. Special thanks goes to Jim Fatland, Mary Lou Clark, and Amy Austin, who spent many hours entering, reviewing, revising, and assembling the budget numbers prior to my presentation to you this morning. Thanks also to Karen Price, Bridgette Robinson, and Sherry Hicks, for their assistance in making the necessary plans and preparations for our meeting at the Sutton Park Community Center today.

I cannot conclude my budget message without recognizing a valuable City employee who will be leaving our organization at the end of May. Mark Donham and I have been friends for over a decade, and I have been very honored to have Mark serve as an Assistant City Manager since my return to Monroe in 2005. Mark is a man of loyalty and honor, and his words of advice to me over these last three years have been most valuable. His team spirit and strong work ethic will be missed, and I know that City Council joins me in wishing Mark all the best as he assumes the duties of City Manager for the City of Oxford, North Carolina. Oxford's gain is certainly Monroe's loss.

Our City has achieved many noteworthy accomplishments in the last twelve months, and I am confident that the upcoming fiscal year will be another year of progress and improvement for our community. We will be reviewing the proposed budget information in more detail as a part of our May 20 City Council meeting, and we will also review the budget during our June 3 City Council strategic planning meeting. The public hearing for the proposed FY 2008-2009 budget will be held on June 3 at 6:30 p.m. as a part of our regular City Council meeting.

I am grateful to each of you for your leadership and support, and I welcome your comments and suggestions as you review the attached information in the days ahead.

Best regards,

F. Craig Meadows
City Manager

C: Management Team members