



TOWN OF NASHVILLE
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AGENDA REPORT

MEETING DATE:	May 17, 2023
PREPARED BY:	Randy Lansing, Town Manager
ISSUE CONSIDERED:	Proposed FY-24 Budget

SUMMARY OF ISSUE:

Attached is the proposed FY-24 Operating Budget for the Town of Nashville which begins July 1, 2023 and ends June 30, 2024. As it is presented, it is a balanced budget. However, it does not include any employee pay increases - no salary study increase for public safety employees - Police & Fire, and no COLA (cost-of-living-adjustment) for non-public safety employees. To provide employee pay raises will require a property tax rate increase.

In the 28 years that I have been preparing town budgets, this has been one of the most challenging. While our Nashville community is growing, that growth has yet to result in a noticeable increase in the Town's General Fund revenue. Between the FY-22 Budget and this proposed FY-24 Budget, the Town's operating expenses have gone up 14% while revenues for the same time period have only increased 8.5%. This, coupled with new debt service for Fire Station 2, has made matching General Fund revenues with expenses extremely difficult.

All Department Heads have gone through their proposed budgets twice and cut \$328,000 in estimated costs. Anything that is not absolutely necessary for operating has been eliminated – most are travel & training, new equipment, and new employee positions. In addition, some personnel expenses have been moved from the General Fund to Water, Sewer, and Storm Sewer to free up General Fund monies. Unfortunately, doing all of this has only matched General Fund revenues to projected expenses and does not allow a COLA (cost-of-living-adjustment) for non-public safety employees or a salary study increase for public safety employees.

A 4.25% COLA increase for non-public safety employees will be \$101,860 over current wages and salaries. Social Security benefits for 2023 increased 8.7% and the Consumer Price Index for all items was 6% from February 2022 to February 2023. A salary study for public safety employees, which is 45% less than the salary study's actual results, is \$327,422 for a total of \$429,282. The General Fund's portion of this COLA and the salary study totals \$382,361. There are three ways to cover this expense – use the fund-balance, increase the property tax rate \$0.10, or use a combination of fund-balance and a tax increase. My recommendation is for a \$0.05 property tax rate increase, which is projected to bring in \$191,903, and use \$190,458 in General Fund fund-balance.

There is also the option of a smaller or no COLA and/or a smaller or no salary study, but I do not recommend these as they will likely result in good employees leaving for better paying jobs and leave the Town struggling to fill vacancies. I do not like advising the use fund-balance to cover operating expenses, and I would certainly not do so on an on-going bases; but next year is a revaluation year for Nash County and current property values will most certainly appreciate 8% to 10% and I am very optimistic that General Fund revenues will be greater than expenses. Also, next year the 22 new houses will be completed that are currently under construction in the Bradford Place subdivision, the commercial properties of Cook Out and Kentucky Fried Chicken, and 15 new homes completed and currently under construction on Birchwood Drive will be fully taxable.

The median assessed value of Nashville homes is \$110,250 and the mean assessed value is \$145,280. A \$0.05 increase in the Town's tax rate from \$0.58/\$100 to \$0.63 will increase town taxes on a \$110,250 assessed valued home \$55 from \$639 to \$695, and \$73 on \$145,280 assessed value home from \$843 to \$915. See page 8 of attached budget packet.

This proposed budget includes 1) constructing Fire Station II, 2) remodeling the recreation center, 3) constructing the Nashville Junction parking lot and stage, 4) the replacement of 4 police vehicles, 2 public-works vehicles and 6) a new scat monitoring system for the Town's lift stations, wells, and water towers. It also maintains the Town's public services at their current level.

Unfortunately, this budget does not include the Barnes Street Streetscape Project, it does not maintain the Council's desired General Fund unrestricted-fund-balance above 50% of the projected General Fund expenses, and does not put any money into the General Fund Capital Reserve Fund. We simply cannot afford to do the Barnes Street Streetscape Project.

MANAGER'S RECOMMENDATION:	Review the proposed FY-24 Operating Budget.
ATTACHMENTS:	budget 23-24
REVIEWED BY TOWN MANAGER:	Randy Lansing