



OFFICE OF THE RANLO TOWN MANAGER

May 28, 2021

The Honorable Lynn Black, Mayor of Ranlo, North Carolina
Ranlo Mayor Pro-Tem Katie Cordell
Ranlo Board of Commissioners Robin Connor, Jamie Fowler, Effie Locklear, Doug Moore

Dear Mayor Black and Ranlo Board of Commissioners:

As the Town of Ranlo's Budget Officer and Town Manager, I am pleased to present for your consideration the Manager and Staff's Recommended Budget for the 2021-2022 Fiscal Year ("the Recommended Budget").

The Recommended Budget balances at **\$4,137,597.00**. The Recommended Budget consists of a General Fund Budget of \$2,204,709.00; a Powell Bill Budget of \$370,000.00; a Storm Water Budget of \$47,110.00; and a Utility Fund Budget of \$1,515,778.00. The Recommended Budget provides for an estimated \$182,091.00 surplus in the General Fund, a \$133,022.00 surplus in the Utility Fund, and a \$12,890.00 surplus in the Stormwater Fund. The Powell Bill Fund is the only fund in the Recommended Budget which requires fund balance appropriation totaling \$279,000.00.

Chart A: Overview of the Recommended Budget

 Town of Ranlo FY 2021-2022 Budget			
<u>General Fund Budget</u>		<u>Utility Fund Budget</u>	
Administration:	\$352,093.00	Admin and Engineering:	\$73,940.00
Governing Body:	\$38,100.00	Non-Departmental:	\$7,500.00
Non-Departmental:	\$100,000.00	Sewer:	\$770,045.00
Police:	\$945,834.00	Water:	\$664,293.00
Public Works:	\$427,278.00		
Recreation:	\$73,103.00		
Sanitation:	\$268,301.00		
TOTAL:	\$2,204,709	TOTAL:	\$1,515,778.00
<u>Stormwater Fund</u>		<u>Powell Bill Fund</u>	
TOTAL:	\$47,110.00	TOTAL:	\$370,000.00

In a collaborative effort, the Recommended Budget was prepared over a ten-week period amongst the Town's staff, coupled with direction and governing input from the Ranlo Board of Commissioners ("the Board"). The Board met on March 4, March 11, March 26, and April 8 in order to tailor a budget that met the needs of the Town's departments and that was compliant with required direction from the North Carolina State Treasurer's Office. At the conclusion of these conversations, a limited budget was compiled focusing on restoring, replenishing, and repairing the Town's financial standing.

RESTORE, REPLENISH, REPAIR

For the first time since 2016, the Town is current with all outstanding audits required under North Carolina General Statute 159-34. With the completion of these audits, the Town now has a detailed and accurate understanding of the current state of our financial standing. Although the results of the recent fiscal year audits did not yield overall positive findings, the audits do clearly identify areas that the Town can improve on and provides an opportunity for the Town to restore, replenish, and repair our financial affairs.

The Recommended Budget seeks to first restore the Town's ability to exercise independence and regain our autonomy to more freely invest, borrow, and allocate funding. Upon evaluating the Town's recently audited financial statements, the North Carolina State Treasurer's Office has issued three written exceptions to the Town identifying findings of irregularity, specifying areas of direct concern relating to over-spending, and outlining weaknesses within the Town's water and sewer fund. Due to the alarming nature of these concerns, the State and Local Government Finance Division and the Local Government Commission has flagged the Town and included Ranlo on their Unit Assistance List. The consequence of this inclusion is that the Town must submit the fiscal year 2022 draft budget to the Department of the State Treasurer for approval and review prior to the adoption of the budget ordinance. Being on the Unit Assistance List also limits the ability of the Town to borrow money, to invest in infrastructure, and can potentially impact the Town's municipal bond rating in a negative way. The rate adjustments and expenditures in the Recommended Budget are notable steps forward in restoring our ability to self-govern without being under strict guidance and direction from the State of North Carolina.

Next, the Recommended Budget abides by the requirement of the State Treasurer's Office to replenish the Town's fund balance by increasing the ad valorem tax rate for the first time since 2014. Over the last four years, the Town's total fund balance has reduced from approximately \$2.2 million to \$1.15 million with unassigned fund balance representing \$575,000.00 in fiscal year 2020. Although this large allocation does not gain favor from the Local Government Commission it does mean that the Town will be able to sustain current services offered by the Town without significant cuts in the upcoming fiscal year. In order to replenish the Town's fund balance, the Recommended Budget is projecting an approximate \$182,091.00 surplus in the General Fund, a \$133,022.00 surplus in the Utility Fund, and a \$12,890.00 surplus in the Stormwater Fund.

Lastly, the Recommended Budget is drafted and presented with minimal discretionary spending, but remains mindful of the current reality of the Town. The Town cannot ignore numerous difficult financial certainties: (i) the water and sewer distribution system of the Town is incredibly dated and will require planned, and unplanned, repairs over the next year; (ii) water meters continue to be used past their practical life expectancy; and (iii) over one million dollars is needed to repair Boulder Court. The Recommended Budget allocates \$300,000.00 towards the Boulder Court rehabilitation project, with the hope that this earnest money will serve as an adequate down-payment to gain approval for financing from the Local Government Commission. Also, the Recommended Budget includes \$25,000.00 for the replacement of 100 water meters around the Town which will repair dated meters with more current equipment to also repair the deficit of lost water that, in turn, results in lost revenue. Along with the rising cost of repairs to a dated system, Two Rivers Utilities, the Town's supplier of water and the treatment of wastewater, is levying a 5% increase on both services in the upcoming fiscal year. Increases by the provider of the Town's services and rising cost of dated infrastructure requires the Town to increase utility rates in order to repair both the distribution system and the growing disparity between revenue and expenditures in the Utility Fund.

Manager and Staff's Recommended Budget for the 2021-2022 Fiscal Year
CONCLUSION

In conclusion, the Recommended Budget is balanced and prepared in accordance with North Carolina General Statute 159-11. The Recommended Budget is based on a recommended .50 cent tax rate, an approximate 11.2% increase to water rates, a 9.2 % increase in sewer rates, increased base rates for water and sewer services, and increased monthly garbage service fees. Financial forecasting for the upcoming year provides to be challenging in a post-COVID-19 environment. The Town's investment income continues to decrease, as do rental fees for the Town's facilities and recreational programs.

The next fiscal year will be difficult, but together we can avoid a mathematically certain future insolvency and a reduction of core services to our residents. These actions of restoring, replenishing, and repairing will work, these increases will stabilize the Town's finances, and these changes will position the Town to not only sustain, but to grow, prosper, and secure our future for years to come.

The public hearing on this budget is scheduled to be held during the June 10, 2021 Regular Monthly Ranlo Board of Commissioners Meeting at 7:00 pm. Any person wishing to make comments, or ask questions, may do so at the public hearing prior to the adoption of the Budget Ordinance. The Recommended Budget will be available for public review at Ranlo Town Hall during normal business hours and on the Town's website. Notice of availability of the document, and the scheduled public hearing, will be published in *The Gaston Gazette* in the upcoming days.

It is with the sincerest gratitude and appreciation that I, as Budget Officer and Town Manager, respectfully submit and recommend this proposed budget to the Ranlo Board of Commissioners.

Thank you and best regards,

Jonathan D. Blanton
Town Manager

Attachment:
Manager and Staff's Recommended Budget for the 2021-2022 Fiscal Year