



Dear Mayor, Council, and Citizens of Norwood:

I am privileged to present the 2020-2021 Budget for the Town of Norwood. This Budget is an amalgamation of analyzing statistics, trends, needs, and wants. It involves state law, economic certainties and uncertainties, tough decisions and common sense. A budget is the most important guiding document that municipalities craft annually. This is our guiding light to be used in decisions made at all levels of our government from the employee level through Town Council.

Projection Budgeting this year has been the most difficult in recent History. Because of the novel coronavirus, such a government requested economic shut down has not been seen since the Spanish Flu swept through more than one hundred years ago. State experts are at a loss and have provided no real guidance for forecasting Revenue. This budget was painstakingly crafted from the ground up, from researching annual charges that had been paid for decades to examining organizations that we pay, to how we receive our mail.

In the end this budget is a guess, an educated and hard wrought guess, but a guess. During my interview process and throughout my time serving Norwood, it has been emphasized that one of my main goals included improving our bad financial condition, specifically the lack of adequate cash reserves and operating some of our systems at a financial loss. This can be referenced by a letter we received from the North Carolina State and Local Government Finance Division and the Local Government Commission dated December 23, 2019 in which it stated, "... to be eligible for State grant or loan funding for water system expansion or growth, the rate structure must meet certain criteria, one of which is that it provides sufficient revenues to meet or exceed operating expenditures plus debt service cost. We noted in a previous visit that the town had committed to rate increases of 15% per year for four years beginning July 1, 2018. Is the town continuing under the commitment?"

The State required that we send a written response with 45 days of receiving the letter addressing each issue and signed by all Council Members. We complied and promised to increase the water and sewer rates by the 15% and we all signed the letter. Honoring that promise will be a major component of correcting our financial situation.

This budget makes great strides in that area. This budget aids us in getting out of the deadly quicksand of kicking the can down the road by charging less than we receive in certain services that we offer. I will need your help by approving it, adhering to it, and letting it be our guiding light through this coming fiscal year.

General Fund Revenues

General Fund Revenues are estimated at \$2,512,250. This is a modest decrease of about 1% over last year's Budget estimate. This is due partly to an increase in our tax base of 3% which brings it up to \$307,000,000 of assessed value. I am suggesting leaving the tax rate at \$0.39. I have been conservative by estimating our collection rate at approximately 94% for real property. This is an increase of \$61,000 compared to last year's budgeted amount.

Another significant increase is raising our garbage collection price. We were charging customers \$4 per cart per month for residential and \$6.92 per cart per month for commercial. Our bill to the waste removal contractor is \$10.52 per cart per month for residential service and \$12.93 per month per cart for commercial. Obviously, we need to receive as much as we expend. The increased garbage rates charge to the customer is \$11 per month and \$14 per month, respectively. This should result in about \$94,00 in increased revenue.

Revenue from the Yadkin Pee Dee Regional Water Project Agreement of \$75,000 was moved to the Enterprise Revenue Fund to more accurately reflect its identity. This decrease in General Fund accompanied with the decrease in Local Optional Sales Tax Revenue and Utility Franchise Tax Revenue represent the larger decreases predicted from the government directed economic shutdown we are currently experiencing.

By far the most positive budget change is the fact that we have reduced the amount of Encumbered Fund Balance over 20%. Instead of having to borrow \$139,000 from our modest savings to balance the budget, we are only having to borrow \$110,540. This is great news for Norwood Town Government, Norwoodians, and the State of North Carolina.

General Fund Expenditures

General Fund Expenditures are budgeted \$36,450 more than last year. These estimated expenditures are derived from many meetings with department heads, examining our promises, examining the economy, studying our needs and more.

Council Budget:

A new budget was created by separating expenses that are more directly attributable to Council activities, such as donations. Many other municipalities do this and this shows a more accurate description of expenditures. It also shows the public and potential investors should we ever float a bond that we are administratively lean and efficient.

Administrative Department Budget:

This department shows a reduction of 36% primarily due to creating the Council Budget. Other reductions included taking out liability insurance and worker's compensation insurance costs and allocating them to the budget that produces the expense.

Police Department Budget:

The Police Department Budget increased approximately 11%. This was primarily due to removing the cost of insuring the police cars and other property and the cost of their worker's compensation insurance from the Administrative Budget and adding it to their Budget.

Street Department Budget:

The street department increased 24%. This is based on the estimate to correct the moisture problem with the contiguous walls at the Farmer's Market.

Powell Bill Budget:

The Powell Budget declined 12%. A large paving project was undertaken and completed and new plans for the 2020-2021 Fiscal Budget Year does not include that large of a project.

Sanitation Department Budget:

The Sanitation Department Budget incurs a 12% increase.

Parks & Recreation Department Budget:

The Parks and Recreation Department Budget shows a decrease of 3%.

Cemetery Budget:

The Cemetery Budget has an increase of 4%.

Enterprise Fund Revenue

The Enterprise Fund Revenue shows approximately a 21% increase compared to last year's projected Revenue. This is primarily due to the required 15% water and sewer rate increase. The tap fees, reconnection fees, and so on have also been updated and increased closer to cost and market rate.

Water Plant Budget:

The Water Plant Budget has increased 4%.

Wastewater Plant Budget:

The Wastewater Plant Budget has decreased 5% this budget year as there are no capital outlay expenditures anticipated in this budget year of 2020-2021.

Water & Sewer Department Budget:

The Water and Sewer Department Budget increases 34% from the previous budget year for the council approved water line improvement project. This project will increase water flow and pressure for the areas of Brickyard Road, Dupree Road, and Richardson Road. This project was estimated to cost \$95,000.

Summary

This coming year will be a challenging one for several reasons. One is the current pandemic of the novel corona 19 virus pandemic triggered a government-suggested economic shutdown, unprecedented in contemporary History. This has accurate budgeting to a point, incalculable.

Another issue is the lack of adequate savings for the government of Norwood. We have delayed increasing rates to customers for services for many years, now we have to have significant rate increases just to cover our cost. Those three reasons above have compelled me to craft an extremely lean budget. This makes it vital that Council, employees, and Norwoodians work together and make the serious choices, the hard choices, the right choices. We need to approve this budget.

Scott Howard, MBA
Town Administrator