



TOWN OF MARSHALL

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To: Town of Marshall Mayor and Board of Aldermen
From: Forrest Gilliam, Town Administrator
Date: June 26, 2023
Subject: FY 2023-2024 Budget

Enclosed you will find a draft budget ordinance for the Town of Marshall for Fiscal Year 2023-2024. The budget is made up of the General Fund, which includes administration, streets, sanitation, police, parks, fire, and other general town services, as well as the Water and Sewer Fund, which is an enterprise fund for water and sewer personnel, operating expenses, and capital expenses. General Fund revenues come from a variety of sources, with the Ad Valorem (property) Tax and the Sales and Use Tax comprising 80 percent of General Fund revenues. The Water and Sewer fund operates independently of the General Fund, funded by charges to customers for water and sewer service.

General Fund

General Fund Overview

The proposed General Fund budget of \$1,167,019 maintains the existing ad valorem tax rate of \$.49 per \$100 valuation. The General Fund budget is approximately 25 percent smaller than the current fiscal year due to the current year including one-time expenses for repairs to Fortner Hollow Road. Those repairs were paid for with a combination of seventy-five percent State/Federal disaster funds and twenty-five percent from the Town's Fund Balance. Excluding one-time expenses, the ongoing/recurring operating budget for the General Fund is approximately 5.5 percent higher than the current year.

The increase in the recurring budget is a result of increased property values due to increased utility assessments and improvements to real estate in Marshall, as well as an increase in revenue from the Sales Tax, driven by consumer behavior and product inflation. Along with increased investment and activity in Marshall comes increased demands on services for Police, Fire, Public Works, and Zoning. The budget includes an increase to part-time salaries in the Police budget, increases the amount budgeted for the Fire Department contract, and continues funding for a part-time Public Works position that was added in the fall of 2022.

Funds are included to cover a state-mandated increase in the employer retirement contribution for each employee, along with small increases to various expense lines to cover inflationary increases. Funds are also included for the municipal election as well as additional funds for a primary election in the event that the partisan elections legislation is ultimately enacted into law.

The increased cost of living impacts Marshall's employees and their families, and salary increases in both the private and public sector have made it imperative to compare salaries for Town positions with those of similar local governments. The budget includes funds for a \$1.50 per hour cost of living adjustment for each employee, and additional funds for departments and

positions based on comparisons to the average for similar positions in other local governments in our population group.

The General Fund budget includes \$39,733 in Contingency to cover any unanticipated expense increases or revenue decreases that arise throughout the year.

General Fund Revenues

Budgeted General Fund revenues total \$1,167,019, from the following sources:

FY 2023-2024 Proposed General Fund Revenues

Interest – Ad Valorem Taxes	\$3,200
Ad Valorem Taxes – Prior Years	\$10,700
2023 Ad Valorem Tax	\$588,580
Vehicle Tax	\$36,000
Payment in Lieu of Taxes	\$11,000
Local Sales & Use Tax	\$328,304
Utilities Franchise Tax	\$123,000
Police Officer Fees	\$50
Alcohol/Beverage Tax Distribution	\$3,500
Solid Waste Disposal Tax	\$626
Parking Fines	\$1,290
Paid Parking Fees	\$1,200
Interest Earned	\$2,500
Powell Bill – Allocation from State	\$22,310
Powell Bill Interest	\$100
Credit Card Processing Fees	\$400
Town Hall – Copies	\$30
Parks & Recreation	\$1,400
Fines – Town Ordinance	\$600
Zoning Application Fees	\$1,500
Cell Tower Revenue	\$250
Miscellaneous Fees	\$2,000
Donations	\$200
Appropriated Fund Balance	\$28,279
Total	\$1,167,019

Budgeted revenue from current year Ad Valorem Tax is increased by 6.5 percent (\$35,696) as a result of increased utility values. Budgeted Vehicle Tax revenue is increased by 28 percent (\$8,000) based on actual collections for FY 2022-2023. Budgeted Sales and Use Tax revenue is increased by 11 percent (\$32,188), which reflects the actual amount that is expected to be collected at year end for FY 2023-2024. Because Sales Tax revenue is closely correlated to local and statewide consumer behavior, the budget includes no additional forecasted increase from this source beyond the actual amount collected for the current year. The budget includes a 2.4 percent (\$3,000) decrease in Utilities Franchise Tax revenue.

As a result of the completion of the Fortner Hollow Road repairs, \$266,209 in revenue from State disaster funds in FY 2022-2023 is eliminated from the proposed budget, and revenue from Appropriated Fund Balance is reduced by 91.9% (\$208,000). Appropriated Fund Balance for FY 2023-2024 totals \$28,279. This includes \$18,279 in unspent funds for the Depot that came from the 2021 filming that took place there, and \$10,000 for paving and repairs that was budgeted for the current year but not spent. A total of \$30,000 is included in the budget for paving and repairs of non-Powell bill eligible streets.

General Fund Expenses

Budgeted General Fund expenses total \$1,167,019, allocated to the following departments:

FY 2023-2024 Proposed General Fund Expenses

Governing Board	\$110,670
Administration	\$263,623
Planning and Zoning	\$37,565
Elections	\$10,000
Police	\$375,036
Streets	\$181,153
Powell Bill	\$22,410
Fire Department	\$96,000
Recreation	\$12,550
Depot	\$18,279
Contingency	\$39,733
Total	\$1,167,019

The proposed budget includes a \$1.50 per employee cost of living adjustment, for a total additional expense, including salaries and benefits, of \$33,613. An additional \$12,452 is included in the budget for salary adjustments for those employees who are currently paid below the 93rd percentile for similar positions in other local governments of our size. A combined \$5,715 increase is budgeted in the retirement contribution for each department, due to a state-mandated increase in the employer contribution rate.

The budget includes \$5,000 for the November Municipal Election as well as an additional \$5,000 in the event that a primary election is required. If the partisan municipal elections bill currently pending ultimately becomes law, the Town will have to pay for the expense of a Primary Election. The Town pays the Madison County Board of Elections to operate all aspects of the election.

The Police budget for part-time salaries is increased by 44 percent (\$7,023) to increase the pay rate for reserve officers and fund additional fill-in and supplemental patrol for the Police Department. The contract for the Marshall Community Volunteer Fire Department is increased by seven percent (\$6,000). The total \$96,000 budgeted for the Fire Department is the equivalent of the \$.08 in property tax revenue. \$.08 matches the fire tax paid by citizens who live outside of Town but within the Smoky Mountain Fire Tax District.

The budget includes \$18,279 in carryforward funds for improvements to the Depot. This is the remainder of the unspent funds that were paid to rent the Depot for use for filming in 2021.

\$39,733 is included in the General Fund Contingency for unanticipated circumstances that arise throughout the year, such as expense increases or revenue decreases.

Water and Sewer Fund

The proposed Water and Sewer Fund budget of \$854,495 is four percent lower than the adopted budget for FY 2022-2023. This is a result of funds being included in the FY 23 budget for the one-time purchase of equipment. Excluding one-time expenses, the Water and Sewer budget is five percent (\$38,096) higher than the current year. The Water and Sewer budget includes a two percent increase to water and sewer rate charges. The increase is necessary to cover inflationary costs within the Water and Sewer enterprise fund, including personnel and equipment costs, and to set aside adequate funds to maintain the water and sewer system. The proposed budget continues to set aside funds to be invested back into system improvements, including an ongoing annual system maintenance program as well as funds for grant matching for State and Federal Infrastructure funding that will be available in the coming years.

The Water and Sewer Fund budget includes \$10,032 for the state-mandated increase to the retirement contribution for employees paid from this fund, and \$15,650 for the \$1.50 cost of living adjustment for employees paid from the fund.

Beginning July 1, the Town will bring in-house the operation of its water system and wastewater systems. Byers Environmental will continue to contract on a limited basis as a consultant. Funds from the savings on the reduced contract with Byers Environmental are used to restructure duties among Water and Sewer employees. Funds are budgeted for a full-time operator of the wastewater treatment plant, though the initial plan is for duties to be reallocated among existing employees on a 6-month to one-year trial basis. The net budget effect after contract reductions and increases to employee salaries from increased duties, including the full-time treatment plant operator, is an increase of \$4,400. If the trial plan to reassign duties is successful over the next year, there will be a savings of \$30,000 to \$50,000, to be considered in the budget for FY 2024-2025.

The Water and Sewer budget also includes a 10 percent increase to electricity costs (\$5,500) and transfers \$40,000 previously used to pay rent for the Town's wells to Capital Outlay for reinvestment into the system.

The Water and Sewer fund includes a Contingency line in the amount of \$27,016 to cover unanticipated issues that arise throughout the year.

FY 2023-2024 Proposed Water and Sewer Fund Revenues

Water/Sewer – Miscellaneous Revenues	\$1,300
Water/Sewer – Service Fees	\$832,320
Water/Sewer – Sample Fees	\$1,200
Water/Sewer – Tap Fees	\$2,000
Water/Sewer – Re-Connect Fees	\$500
Water/Sewer – Late Fees	\$15,000
Water/Sewer – Disconnect Fees	\$100
Water/Sewer – Bad Check Fees	\$75
Water/Sewer – Credit Card Fees	\$2,000
Water/Sewer – Total	\$854,495

FY 2023-2024 Proposed Water and Sewer Fund Expenses

Water/Sewer – Operating	\$766,179
Wastewater Treatment Plant	\$61,300
Contingency	\$27,016
Total	\$854,495