

TOWN OF GROTTUES



MEMORANDUM:

TO: TOWN COUNCIL
FROM: TOWN MANAGER
SUBJECT: PROPOSED FY 2025 - 2026 BUDGET
DATE: APRIL 11, 2025

Executive Summary

Enclosed is the proposed Fiscal Year 2025-2026 budget for the Town totaling **\$5,079,311**. The proposal includes all recommended personnel, operational, capital and debt service expenses. The budget is balanced in accordance with state law. The budget as recommended reflects the Town's commitment to providing quality services, while understanding the impact of the cost of such services on the Town's residents and the limited business community.

The town enters the fiscal year very solvent with a healthy reserve moving forward. The goal is to maintain and add to the reserve while continuing to provide high quality services and move forward on needed capital projects, especially on the utilities side. The only proposed increase to citizens, (not including Grand Caverns) in the budget is a 3% increase in both water and sewer charges. This is based on the annual cost of living (CPI) and it is recommended to continue this policy moving forward so that revenues can keep up with the rising costs of providing services moving forward. In theory, increasing the rates on the CPI should do that each year, which would negate the need for a steep increase every 3-5 years. Water and sewer rates have only been increased twice in the last 13 years.

Revenues

General Fund

Real Estate and Personal Property Taxes. The recommended budget does not include an increase in either the real estate or personal property tax rates.

Other Local Taxes and Fees. There is no proposed increase in any local taxes or fees in the general fund. Sales tax should see significant increases in the next few years with the continued commercial development along Port Republic Road in Rockingham County as well as the addition of Bucee's and the new Sheetz in Mount Crawford. (As a reminder, the Town collects a portion of all sales tax in Rockingham County, not just Grottoes, and is distributed to the Town based on a formula that takes into account the number of school aged children that reside within the boundaries.

State Funds. The Town will be realizing a significant increase in highway funding from the Commonwealth (\$806,000 total annually), as well as a slight increase in HB 599 funds, (law enforcement funding).

Interest Funds. The Town will be realizing higher interest rates on its investments due to higher rates on funds in the Commonwealth's LGIP managed fund.

Federal Funds. No federal funds are expected to be received this fiscal year, unless any federal grant funding is obtained.

Other Funds

Water, Sewer and Trash Collection Fees. To cover operational costs including salaries and wages, equipment and materials repairs, replacements and upgrades, chemicals, lab fees and all costs associated with these services, water and sewer rates are proposed to be increased by 3% (CPI). These increases cover the costs of supplying and maintaining these services. For the 2025-2026 fiscal year, the water base rate will increase by \$.76 a month and the sewer base rate will increase by \$1.77 a month. Water and sewer connection fees are proposed to remain unchanged.

Regarding trash service, the switch to Meridan will not require an increase in trash fees, but tipping fees will be increasing from Rockingham County as of July 1, 2025 which will impact what the Town pays.

	Water Base Rate up to 2000 gal	Water Rate Per 1000 over base	Sewer Base Rate up to 2000 gal.	Sewer Rate per 1000 over base	Trash Bi- Monthly Rate
FY2025	\$ 25.63	\$ 2.08	\$ 59.05	\$ 3.88	\$ 39.00
FY2026	\$ 26.39	\$ 2.14	\$ 60.82	\$ 4.00	\$ 39.00

Parks Fund. The park fund continues to grow as attendance and corresponding revenue continue to increase annually. Attached on the tax and fee schedule in red are the proposed minor increases at Grand Caverns. The pool party increase has been discussed by the Finance Committee and has been recommended to the Council for consideration as part of the proposed budget.

Expenditures

General Comments

You will note in the expenditures, that this is a pretty no-frill budget, without any significant capital expenditures other than equipment replacement/upgrade and continuation of smaller water line projects to continue with the overall upgrade of the distribution system.

Personnel.

General Fund. There are no significant changes in the Administration functions expenditures. Aside from regular operating expenses, and salaries, wages and benefits, expenditures for professional services, and service contracts will allow the town to continue working with consultants on planning projects. Donations are a significant line item as the town continues to contribute to the GVFD, GRS, and other local organizations. There is money included (\$25,000) to make some small improvements to the Town Hall (bathrooms, flooring, break room). Training/education has been increased in order to encourage Council/staff to take advantage of training opportunities that are available. Audit costs are decreasing significantly due to the new contract with a new firm and having only one audit to do during this fiscal year.

In the Public Works function (departments include Public Works, Street Maintenance, Water, and Sewer), funding for staff at appropriate levels is included to maintain operations and services to the town. The Town continues to have 1 unfilled position in this department.

In the Streets Department, it is proposed to not do any paving in this fiscal year, other than 6th Street, and patches from the water line breaks. The Town already has \$110,000 worth of paving under contract in the current fiscal year and based on the conditions of the streets (very good), it is staff's recommendation to focus on sidewalk repair and equipment purchases/upgrades. Additionally, the Town will have another fairly significant carry-over from this fiscal year.

In the Police Department, it is proposed to purchase two new vehicles to replace aging vehicles. Chief Sullivan has developed a five-year plan for vehicle replacement in order to plan for the replacement of vehicles on a rotating basis.

Water & Sewer Funds. Both funds are pretty self-explanatory. It will be interesting to see how sludge removal goes in the lagoons and the Town will determine after that is complete in the current budget, if any more work needs to be done in regard to sludge removal. UV upgrade will be needed in the next 2-3 years, so that is something that will need to be planned. The sewer fund is projected to show a reserve at the end of the year and water fund will be in a position to continue with the distribution improvements.

Parks Fund. Expenses in this fund will focus on the final year of staffing implementation, as well as a significant marketing strategy, branding, signage and uniforms to give a consistent look.