BUDGET REVIEW AGENDA
FY 2021-22

1. May 1, 2021 Current Budget Financial Summary
2. 2021 Budget Priorities
3. Budget Message Review/Highlights
4. Revaluation Overview
5. FY 2021-22 Capital Items
6. Fund Balance Evaluation
7. American rescue Plan
8. Other

<u>**Committee of the Whole – May 25, 2021, 8:30 a.m.**</u>

- Any follow-up budget items
- Regular Department Updates

City of Lenoir
Financial Summary
As of 4/30/2021

General Fund					
	2020-2021 Budget	4/30/2021	% of Budget	Change from Previous Year	4/30/2020
Total Revenue	$ 18,644,570.98	$ 17,092,329.47	92%	$ 547,632.52	$ 16,544,696.95
COVID-19- Revenue	$ 314,054.98	$ 314,054.98	100%		
Revenue Net of COVID	$ 18,330,516.00	$ 16,778,274.49	92%	$ 233,577.54	$ 16,544,696.95
Expenditures	$ 18,644,570.98	$ 13,944,163.13	75%	$ (920,279.98)	$ 14,864,443.11
COVID-19 Expenditures	$ 314,054.98	$ 314,054.98	100%		
Expenditures Net of COVID	$ 18,330,516.00	$ 13,630,108.15	74%	$ (1,234,334.96)	$ 14,864,443.11
Over/Under Net of COVID	$ -	$ 3,148,166.34		$ 1,467,912.50	$ 1,680,253.84

Downtown District					
	2020-2021 Budget	4/30/2021	% of Budget	Change from Previous Year	4/30/2020
Total Revenue	$ 191,938.00	$ 39,631.90	21%	$ 20,298.54	$ 19,333.36
COVID-19- Revenue	$ 8,200.00	$ 8,200.00	100%		
Revenue Net of COVID	$ 183,738.00	$ 31,431.90	17%	$ 12,098.54	$ 19,333.36
Expenditures	$ 191,938.00	$ 123,705.84	64%	$ (40,054.23)	$ 163,760.07
COVID-19 Expenditures	$ 8,200.00	$ 8,200.00	100%		
Expenditures Net of COVID	$ 183,738.00	$ 115,505.84	63%	$ (48,254.23)	$ 163,760.07
Over/Under Net of COVID	$ -	$ (84,073.94)		$ 60,352.77	$ (144,426.71)

Water/Sewer Fund					
	2020-2021 Budget	4/30/2021	% of Budget	Change from Previous Year	4/30/2020
Revenues	$ 8,606,700.00	$ 8,035,150.32	93%	$ 199,774.36	$ 7,835,375.96
COVID-19- Revenue	$ 25,400.00	$ 25,400.00	100%		
Revenue Net of COVID	$ 8,581,300.00	$ 8,009,750.32	93%	$ 174,374.36	$ 7,835,375.96
Expenditures	$ 8,606,700.00	$ 6,008,371.24	70%	$ 232,846.38	$ 5,775,524.86
COVID-19 Expenditures	$ 25,400.00	$ 25,400.00	100%		
Expenditures Net of COVID	$ 8,581,300.00	$ 5,982,971.24	70%	$ 207,446.38	$ 5,775,524.86
Over/Under Net of COVID	$ -	$ 2,026,779.08		$ (33,072.02)	$ 2,059,851.10

2021 Council Budget Priorities

1. Continue Efforts to Offer Competitive Compensation and Benefits for Employees
2. Pursue Market Rate Housing
   Encourage Affordable Housing Opportunities
   Implement Branding/Wayfinding Plan
   Develop Strategies to Address Commercial Blight (city-wide & downtown)
   Address Major Appearance Issues (city entry corridors)
   Continue to Fund Street Paving Plan
   Continue to Fund Water/Sewer Capital Improvements Plan
   Develop Strategies for Diversity, Equity & Inclusion
3. Continue to Fund Sidewalks/Greenway/OVT
   Develop West End Area Neighborhood Plan
4. Support Code Enforcement (including Strategic Foreclosures)
   Develop Plan to Address Litter in Community (State, Local Partners)
   Re-Initiate Neighborhood Meetings (once safe to do so)
   Encourage Whitnel & West End Area Improvements

Other Areas of Focus:

Employee Recruitment/Retention:
- Increase Employee Engagement
- Incentivize/Reward Efficiencies
- Develop Continuing Customer Service Education

Housing:
- Continue Minimum Housing & Code Enforcement
- Market City-owned Properties to Sell
- Encourage Downtown Living
- Continue to Promote Shovel-ready Residential Subdivisions
- Participate in WPCOG Vacant & Substandard Housing Task Force

Community Beautification:
- Continue Implementation of North Main Area Plan & Fairfield South Plan
- Consider Gateway Enhancements at Smith Crossroads

Healthy Infrastructure:
- Support Technology/Cybersecurity/Digital Services
- Continue to Fund City Facilities/Fleet Plan
- Continue to Fund Stormwater Improvements
- Implement Downtown 2-Way Traffic Plan
- Implement Bike/Ped Plan
- Improve/Implement Public Wi-fi at City Parks/Facilities

Economic Development:
- Encourage Public/Private Partnerships
- Continue Partnership with Caldwell EDC

Public Engagement:
- Share State of the City Presentations
- Market Quality of Life Amenities
- Schedule Neighborhood Walk-through's
- Develop Strategic/Targeted Communication (multi-lingual)
- Promote Smart City, Online Interaction

Other
- Pursue COVID-related Funding Opportunities to Help Citizens

CITY MANAGER
SCOTT E. HILDEBRAN

CITY OF LENOIR
NORTH CAROLINA

May 18, 2021

Honorable Mayor Gibbons and Members of the City Council:

Pursuant to Section 159-11 of the North Carolina General Statutes (NCGS), Local Government Budget and Fiscal Control Act, I am pleased to submit the Recommended FY 2021-2022 Budget for your review and consideration. This document provides a financial plan for the upcoming fiscal year and was developed in accordance with the City Council's priorities established in both the February Strategic Planning Retreat and the March Budget Retreat as well as during Council/Departmental meetings held over the past year. As we hopefully round the corner on the COVID-19 pandemic, the budget was developed with the expectation of a more "normal" year.

A work session to review the Recommended FY 2021-2022 Budget is scheduled to be held Thursday, May 20, 2021, at 6:00 p.m. and a public hearing on the budget is scheduled on Tuesday, June 1, 2021, at 6:00 p.m.

<u>General Fund</u>
The proposed General Fund budget totals $18,594,890 and is balanced with the reduced property tax rate of 57¢ per $100 of assessed property value, a reduction of 1¢ per $100 from the current tax rate. The budget maintains the current Rescue Readiness Tax Rate of .85¢ per $100 of assessed property value for a total tax rate of 57.85¢ per $100. All other General Fund charges/fees are unchanged.

Under North Carolina law, each county must conduct a countywide revaluation of all real property (land, buildings, and other improvements) within the county at least every eight years for tax assessment determination. The purpose of revaluation is to re-establish equity among properties that may have appreciated or depreciated in value at different rates since the county's last revaluation. In 2021, Caldwell County completed the real property revaluation process. Business personal property and motor vehicles are assessed for taxation every year.

Based on the revaluation, there was a 9% increase in assessed values for real property. Personal property values decreased by approximately 12%. Registered motor vehicle values remain unchanged. Public service company properties are anticipated to decrease and are currently in the appeals process conducted by the State of NC. Overall, the combined actual values for real property, personal property, registered motor vehicles, and public service companies for 2020 compared to the estimated values for 2021 is relatively unchanged.

NCGS 159-11 also requires local governments to publish the revenue-neutral property tax after a revaluation. Per the statute, "the revenue-neutral property tax rate is the rate that is estimated to produce revenue for the next fiscal year equal to the revenue that would have been produced for the next fiscal year by the current tax rate if no reappraisal had occurred." This general statute also provides instruction on how the rate is to be calculated: 1) Determine a rate that would produce revenues equal those produced for the current fiscal year, and 2) Increase the rate by a factor equal to the average annual growth. The revenue neutral rate is the tax rate that would generate the same amount of revenue the City would expect to receive if no revaluation had occurred, including growth. Based on the information from Caldwell County discussed above, the estimated

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Lenoir All-America City 2008

revenue-neutral property tax rate for 2021 equals 62.83¢ per $100. Due to fluctuations in refunded business personal property and the delayed impact of improvements being included in assessed values, staff made revenue-neutral calculations excluding refunded business property taxes as well as with only real property values. The average of all these calculations is a tax rate of 57¢ per $100 of assessed value, which is what is recommended in the budget and reflects the net revenue-neutral rate.

The Rescue Readiness revenue-neutral tax calculation produced a rate of .92¢ per $100. Since there is no impact on the Rescue Readiness Tax for business personal property as it is not refunded, it is recommended to leave the rate at .85¢ per $100.

The American Rescue Plan, recently adopted by Congress, will provide $5.6 billion in state fiscal relief with $1.35 billion earmarked for cities and towns, and specifically $3,834,691 allocated for Lenoir. The proposed budget does not allocate any of the approved revenue. We expect further guidance and clarification on eligible expenditures for these funds to be forthcoming from the United States Treasury, N.C. Local Government Commission, the UNC School of Government and the NC League of Municipalities. Staff is currently developing a draft plan for the approved funding, focusing on long-term capital assets and master planning.

The Recommended Budget contains no borrowing and does not use any fund balance.

Downtown Municipal Service District

The proposed Downtown Municipal Service District budget is balanced with the reduced property tax rate of 20¢ per $100 of assessed district property value. This is a reduction of 5¢ per $100 from the FY 2020-21 Downtown tax rate of 25¢ per $100. The revenue neutral calculation was performed with total values as well excluding the impact of improvements not included in the year they were made. The average of all these calculations is a tax rate of 20¢ per $100 of assessed value, which is what is recommended in the budget and reflects the net revenue-neutral rate.

Water and Wastewater Fund

The proposed Water/Sewer Fund budget totals $9,629,744 and includes a 2% increase in water and sewer rates. For budget year 2020-2021, there was no increase in water and sewer rates due to the pandemic. All other Water/Sewer Fund charges and fees are unchanged.

For reference, the Consumer Price Index - South Region for All Urban Consumers over the past 12-month period is 2.0% (February 2021).

Budget Highlights

The key components of this budget are:

- Core services are continued with revenue projections estimated in a realistic, conservative manner. The projections include consideration for continued uncertainties as we emerge from the COVID-19 pandemic and evaluate the impact on the future economic environment.
- Employee Compensation: City Council and Management continue to recognize that our employees are vital to the delivery of quality municipal services and represent our most valuable asset. As our top strategic priority, the budget includes a 3.0% cost of living increase effective January 1, 2022. Further, the budget funds the mandated 1.2% increase for the Local Government Retirement System. The budget also includes a restructure of the pay plan for the Fire Department to adjust salaries closer to regional norms. These adjustments would be implemented in January 2022.

- The City's group health insurance premiums will increase by 6%, while maintaining the current plan benefit levels. The cost of the City's property and liability insurance will increase by 9.5% while the workers' compensation insurance coverages will decrease by 7%.
- Allocated Positions: The budget recommends an overall increase of three (3) new positions, two (2) in Sanitation and one (1) in Vehicle Services.
  - Last year's budget eliminated two (2) positions from the Sanitation Department with the assumption that the switch to automated garbage pick-up would reduce the need for the positions. As the new processes, routes and equipment were implemented, it became apparent that these positions would still be needed to provide timely and efficient services. One position will continue to be utilized for sanitation collection and one will be transitioned to downtown providing an increased focus on the cleanliness of the area. This position will also clean three city facilities that previously contracted their cleaning services, negating the costs of one (1) of these funded positions.
  - Vehicle Services has focused heavily on routine maintenance over the past few years to prolong the life of our fleet and avoid costly repairs. As discussed previously, Vehicle Services has been very creative in finding ways to reduce repair costs, which can take up a tremendous amount of time of senior staff. One (1) entry-level position is included to help with routine maintenance, which will allow the senior staff more time to manage more complex repairs.
- Street Resurfacing: The budget allocates $390,000 to continue implementation of our Pavement Study, though State Powell Bill funding is expected to be further reduced in the coming year. Also, the budget includes $200,000 in funding for strategic paving for the various Council's priorities regarding roads/bridges improvements.
- Greenway/Rail Trail: The budget also funds $75,000 for greenway improvements and $50,000 for greenway/rail trail planning.
- Downtown: The budget allocates funds from the CDBG Capital Project Fund to continue improvements to the old Lenoir High School auditorium, gym and Mack Cook Stadium. As mentioned above, there will be an emphasis on Downtown cleanliness by utilizing a dedicated employee.
- Code Enforcement: The budget adds an additional $5,040 in funding for building demolition, which increases funding to $60,750 for building demolitions, foreclosure and nuisance enforcement. There has been an increase in budget allocations of $22,750 over the past two years for code enforcement in response to the City Council's priorities.
- Diversity, Equity & Inclusion: The budget includes funding in travel/training areas to initiate awareness of and develop strategies for diversity, equity and inclusion.
- Technology: Funds are appropriated for continued computer/information technology upgrades throughout the organization to enhance and improve operations and security and for the ongoing implementation of the Advance Metering Infrastructure Project.
- Environmental: The budget continues to fund the Western Piedmont Council of Governments Stormwater Partnership's management and oversight of our Federal Phase II Stormwater Program. Work is concluding on the Environmental Protection Agency Brownfield Grant which conducted environmental assessments and the Appalachian Regional Commission Grant to clean-up city-owned property on College and Virginia Street.
- The budget funds all debt obligations.

The following General Fund capital projects are included: garage lift replacement, Streets Department service truck, repairs for the creek bank at Fire Station II, (30) portable radios, Police Department parking lot repaving, firing range repairs, (2) detective cars – used, (4) patrol cars, Aquatic Center lights and roof replacement, Martin Luther King Center entrance awning and roof replacement.

The following Water/Sewer Fund capital projects are included: (2) flash basin repairs, America Water Infrastructure Act Compliance Project – generators and cameras, Operations Building upgrades, (2) bleach pumps, divisional valve replacement, air handler improvements, manhole improvements, concrete pad for parking, mixer replacement, dump truck replacement, and a vehicle replacement.

Summary

In closing, the Recommended FY 2021-2022 Budget is balanced in accordance with State Statutes and attempts to address the goals and priorities that have been established by City Council for the City's future while being mindful of the current economic conditions. Though the budget does not fund all of the requested operating and capital needs, the Recommended FY 2021-2022 Budget represents a financial plan that allows the City to maintain and enhance current service levels while making organizational changes to be cost effective and more efficient. Further, as noted in the information distributed for the retreat in February, our staff continues to display a culture that encourages cost savings to maximize resources to accomplish budget initiatives.

I would like to recognize the efforts of Finance Director Donna Bean, as she has been instrumental in the preparation of this document. Her thoroughness and guidance are appreciated.

Finally, I would also like to express my thanks to the Department Directors, Team Lenoir and City Council for their patience, understanding, and dedicated work on this important policy document. Our primary goal, each and every day, via our employee-led customer service initiative, remains to provide "Service Beyond Measure".

Come "Create With Us" in Lenoir!

Respectfully submitted,

Scott E. Hildebran

Scott E. Hildebran
City Manager

City Of Lenoir
Fund Balances

	2020
Unreserved Fund Balances	$10,483,369
Fund Balance Percent	58.23%
Water Fund Transfers	$0

	2019	2018	2017	2016
Unreserved Fund Balances	$9,829,330	$8,421,722	$7,222,443	$4,554,559
Fund Balance Percent	56.77%	51.56%	43.14%	25.33%
Water Fund Transfers	$0	$0	$0	$0

	2015	2014	2013	2012
Unreserved Fund Balances	$4,061,603	$3,574,740	$3,211,745	$3,028,662
Fund Balance Percent	23.14%	21.90%	19.80%	18.75%
Water Fund Transfers	$0	$0	$0	$0

	2011	2010	2009	2008
Unreserved Fund Balances	$2,896,417	$3,760,253	$3,653,831	$3,319,100
Fund Balance Percent	17.72%	23.59%	20.42%	21.18%
Water Fund Transfers	$0	$0	$0	$0

	2007	2006	2005	2004
Unreserved Fund Balances	$3,188,151	$2,285,977	$2,024,965	$1,797,042
Fund Balance Percent	20.48%	15.96%	12.62%	12.59%
Water Fund Transfers	$0	$0	$86,371	$582,020

CITY OF LENOIR
Capital Items from Operating Budget
Fiscal Year 2021-2022

Department	Qty	General Fund	Amount
Vehicle Services	1	Garage - Two Post Lift (Lift Replacement)	$20,000
Streets	1	1 Service Truck - Streets	$50,000
Fire Administration	1	Station #2 Creek Bank Repair	$20,000
Police Support	30	Portable Walkie Radios	$30,000
Police Support	1	Parking Lot Repaving	$5,000
Police Support	1	Firing Range Repairs	$50,000
		Total Police Support	$85,000
Detectives	2	Used Vehicles	$20,000
Patrol	4	Patrol Vehicles	$250,000
Aquatic Center	1	Aquatic Center Light Replacement	$5,000
Aquatic Center	1	Aquatic Center Roof Replacement	$50,000
		Total Aquatic Center	$55,000
MLK Center	1	MLK Center Entrance Awning	$8,000
MLK Center	1	MLK Center Roof	$50,000
		Total MLK Center	$58,000
General Fund Total			$558,000

Department	Qty	Utility Fund	Amount
Rhodhiss Water Treatment Plant	2	Flash Basin Repairs	$460,000
Rhodhiss Water Treatment Plant	1	AWIA Compliance Project - Generator	$150,000
Rhodhiss Water Treatment Plant	1	Operations Building Upgrades	$10,000
Rhodhiss Water Treatment Plant	2	Bleach Filter Pumps	$45,000
		Total Rhodhiss Water Treatment Plant	$665,000
Water Distribution	1	Service Truck	$43,000
Water Distribution	1	Divisional Valve Replacement	$90,000
		Total Water Distribution	$133,000
Water Resources	1	Air Handler Improvements	$7,000
Wastewater Collection	1	Manhole Improvements	$250,000
Wastewater Collection	1	Flat Bed Dump Truck	$95,000
Wastewater Collection	1	Concrete Pad	$10,000
		Total Wastewater Collections	$355,000
Lower Creek Plant	1	Mixer Replacement	$50,000
Utility Fund Total			$1,210,000