MINUTES

City Council's Budget Review Session
Thursday, May 20, 2021
6:00 p.m.

Participants: Mayor Joseph Gibbons, Jonathan Beal, Ike Perkins, Todd Perdue, Ralph Prestwood and Ben Willis.

Absent: Councilman David Stevens.

Via Zoom: Mayor Pro-Tem Crissy Thomas.

City Staff: City Manager, Scott Hildebran, City Clerk, Shirley Cannon, Finance Director, Donna Bean, and Public Information Officer, Joshua Harris.

Others: Carmen Boone, *News-Topic*.

Call to Order

I. Mayor Gibbons welcomed everyone and called the meeting to order.

II. City Manager Scott Hildebran asked Council if anyone has any questions regarding the overview of the recommended budget presented at Tuesday's City Council meeting. City Council members did not have any questions at this time.

III. Financial Summary

A. Donna Bean, Finance Director, presented the Financial Summary as of April 30, 2021. She reported the City has collected 92% of its budgeted amount and only expended 81% resulting in the City being in a good financial position. Director Bean reported the over/under balance in the General Fund is $3,148,166.34, Downtown District ($84,073.94), and Water & Sewer Fund $2,026,779.08.

Director Bean reported the City is on target for its goals and stated sales tax revenue has increased by 30% from 2020. Also, she stated expenditures have decreased due to facilities being closed during the pandemic. In addition, Director Bean reported the Downtown District and the Water & Sewer Fund are also on target with their budgets and the City should reach its revenue projections goal.

(A copy of the financial summary is attached to these minutes as information.)

IV. General Fund

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

Revaluation

In addition, Mr. Hildebran reminded Council, that according to 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. 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. In addition, N.C.G.S. 159-11 requires local governments to publish the revenue-neutral property tax rate after a revaluation. This general statue also provides instruction on how the rate is to be calculated: 1) Determine a rate that would produce revenues equal to 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, the estimated revenue-neutral property tax rate for 2021 equals to 62.83 cent 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-cent per $100 of assessed value, which is what is recommended in the budget and reflects the revenue-neutral rate.

IV. <u>2021 Budget Priorities</u>

City Manager Hildebran reviewed the 2021 Council Budget Priorities list and stated these items are addressed in the proposed budget. The budget priorities are as follows:

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

Downtown Municipal Service District Budget

The proposed Downtown Municipal Service District budget is balanced with the reduced property tax rate of 20-cent per $100 of assessed district property value. This is a reduction of 5-cent per $100 from the FY2020-21 Downtown tax rate of 25-cent 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 these calculations is a tax rate of 20-cent per $100 of assessed value, which is what is recommended in the budget and reflects the net revenue-neutral rate.

Water/Sewer Fund

Next, Mr. Hildebran stated the proposed Water/Sewer Fund budget totals $9,629,744 and includes a 2% increase in water and sewer rates effective July 1, 2021. He reported the Consumer Price Index – South Region for All Urban Consumers over the past 12-month period is 2% February 2021) which is a benchmark the City uses in determining its utility rates. All other Water/Sewer Fund charges/fees are unchanged. Mr. Hildebran reminded Council the City did not increase its water/sewer rates in FY2020.

Mr. Hildebran reviewed the budget highlights which includes the following items:

- Core Services
  - Employee Compensation
  - Group Health Insurance
  - Allocated Positions
  - Street Resurfacing
  - Greenway/Rail Trail
  - Downtown
  - Code Enforcement
  - Diversity, Equity & Inclusion
  - Technology
  - Environmental

Mr. Hildebran shared the City's group health insurance premiums will increase by 6%, while maintaining the current plan benefits. Councilman Perdue shared the current trend is 7.5%. A brief discussion followed regarding surrounding municipalities' rates.

New Positions
Mr. Hildebran explained the City eliminated two (2) positions in FY2020's budget due to the switch to automated garbage pickup thereby reducing the need for the positions. It became apparent these positions would still be needed in order to provide timely and efficient services. One position will continue to be utilized for sanitation collection and the other position will be transitioned to downtown providing an increased focus on the cleanliness of the area.

Mr. Hildebran reviewed the following capital items for the General Fund and Water/Sewer Fund and stated the budget funds all debt obligations. (A copy of the capital items is attached to these minutes as information.)

Capital Items- General Fund
Garage Lift Replacement
Service Truck – Streets Department
Repairs for Creek Bank- Fire Station II
30 Portable Radios – Police
Paving of Lot – Police
Firing Range Repairs
2 Detective Cars-used
4 Patrol Cars
Aquatic Center Lights and Roof Replacement
Martin Luther King Center Entrance Awning & Roof Replacement

Capital Items – Water/Sewer Fund
2 Flash Basin Repairs
America Water Infrastructure Act Compliance Project – Generators & Cameras
Operations Building Upgrades
2 Bleach Pumps
Divisional Valve Replacement
Air Handler Improvements
Manhole Improvements
Capital Items Continued
Concrete Pad for Parking
Mixer Replacement
Dump Truck Replacement
Vehicle Replacement

General Comments
Mr. Hildebran stated Councilmember Perdue assisted the City in obtaining insurance quotes several years ago and suggested the City increase cyber security coverages. The City is covered by the North Carolina League of Municipalities (NCLM) as well as the City has a separate policy.

Mr. Hildebran reported 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, North Carolina Local Government Commission, the UNC School of Government and the North Carolina League of Municipalities. Staff is currently developing a draft plan for the approved funding, focusing on long-term capital assets and master planning.

Fund Balance

Mr. Hildebran reviewed the City's Fund Balance which has an Unreserved Fund Balance of $10,483,369 and equals to approximately 58.23%. There were no water transfers in FY2020 from the fund. City Council discussed how much the fund balance has grown over the past several years and were in agreement the City is in great financial shape.

Comparison List of Sales Tax Rates/Tax Rates

Mr. Hildebran reviewed a comparison list of proposed 2021-22 Tax Rates/Service District Tax/Motor Vehicle Fee/SW Fee/Water & Sewer.

Mr. Hildebran reported the sales tax rate for Burke and Caldwell County is 6.75% as compared to Alexander and Catawba County's rate of 7.00%. Much discussion centered on the current real estate market, sales tax rates along with the property tax rates of the surrounding areas. It was noted the City of Lenoir has the lowest overall rates of those compared in the Unifour.

(A copy of the comparison list is attached to these minutes as information.)

Wrap-Up

City Council commended City Manager Hildebran and Staff for the great job they are doing daily for the City of Lenoir and for all of their cost savings efforts.

Mr. Hildebran thanked Finance Director Donna Bean for her thoroughness and work in compiling the budget. He further informed Council the Committee of the Whole meeting on May 25 would be a regular meeting.

There being no further business, the meeting was adjourned at 6:55 p.m.

Attachments

April 30, 2021 Financial Summary

Capital Items from Operating Budget

Sales Tax Rates

Fund Balance

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

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

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

Sales Tax Rates

Sales Tax Burke & Caldwell - 6.75%

Sales Tax Alexander & Catawba - 7.00%

Proposed 2021-22 Tax Rates/Service District Tax/Motor Vehicle Fee/SW Fee/W&S

ANNUAL COMPARISON		$200,000-Home	$200,000-Downtown Business
Lenoir			
Property Tax Rate	57.85¢/$100	$1,157.00	
Municipal District	20.0¢/$100	-	$400 .00
Caldwell County	63.0¢/$100	$1,260.00	
Motor Vehicle Fee	$5.00/annual	$5.00	
Solid Waste Fee	$10.00/mo.	$120.00	
W&S 5000/gal. Rate	$49.73/mo.	$596.76	
		$3,138.76	**$400.00**
Morganton			
Property Tax Rate	57.0¢/$100	$1,140.00	
Municipal District	14.0¢/$100	-	$280.00
Burke County	69.5¢/$100	$1,390.00	
Motor Vehicle Fee	$20.00/annual	$20.00	
Solid Waste Fee	$12.00/mo.	$144.00	
W&S 5000/gal. Rate	$48.48/mo.	$581.76	
		$3,275.76	**$280.00**
Hickory			
Property Tax Rate	62.75¢/$100	$1,255.00	
Municipal District	-	-	-
Catawba County	57.5¢/$100	$1,150.00	
Motor Vehicle Fee	$5.00/annual	$5.00	
Solid Waste Fee	$25.00/mo.	$300.00	
W&S 5000/gal. Rate	$60.30/mo.	$723.60	
		$3,433.60	
Taylorsville			
Property Tax Rate	40.0¢/$100	$800.00	
Municipal District	-	-	-
Alexander County	79.0¢/$100	$1,580.00	
Fire Tax	5.0¢/$100	$100.00	
Motor Vehicle Fee	-	-	
Solid Waste Fee	$10.00/mo.	$120.00	
W&S 5000/gal. Rate	$71.00/mo.	$852.00	
		$3,452.00	
Newton			
Property Tax Rate	54.0¢/$100	$1,080.00	
Municipal District	-	-	-
Catawba County	57.5¢/$100	$1,150.00	
Motor Vehicle Fee	$30.00/annual	$30.00	
Solid Waste Fee	$19.45/mo.	$233.40	
W&S 5000/gal. Rate	$84.96/mo.	$1,019.52	
		$3,512.92	