

# Review of City of Lincolnton 2019-20 Budget

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## *City Budget*

### Types of Funds

The city budget consists of 4 different funds:

- **General Fund** – (\$11,818,700) This fund covers most city operations, such as Fire, Parks and Recreation, Police, Streets and Planning. The property tax rate is 56 cents per \$100 valuation and has not changed since 2002.
- **Powell Bill Fund** – (\$545,000) This fund shall be expended primarily for the purposes of resurfacing streets within the corporate limits of the municipality but may also be used for maintaining, repairing, constructing, reconstructing or widening of any street or public thoroughfare within the municipal limits or for planning, construction, and maintenance of bikeways, greenways or sidewalks.
- **Water and Sewer Fund** – (\$8,616,949) This fund covers the operation and maintenance of the city water and sewer infrastructure and provides drinking water to city customers. There were no increases in rates.
- **Electric Fund** – (\$8,056,350) This fund covers the operation and maintenance of the city electric infrastructure and provides electricity to city customers. There were no increases in rates.

### Budget (Fiscal) Year

The City of Lincolnton budget year runs from July 1 through June 30 of the following year.

### City Budget Process

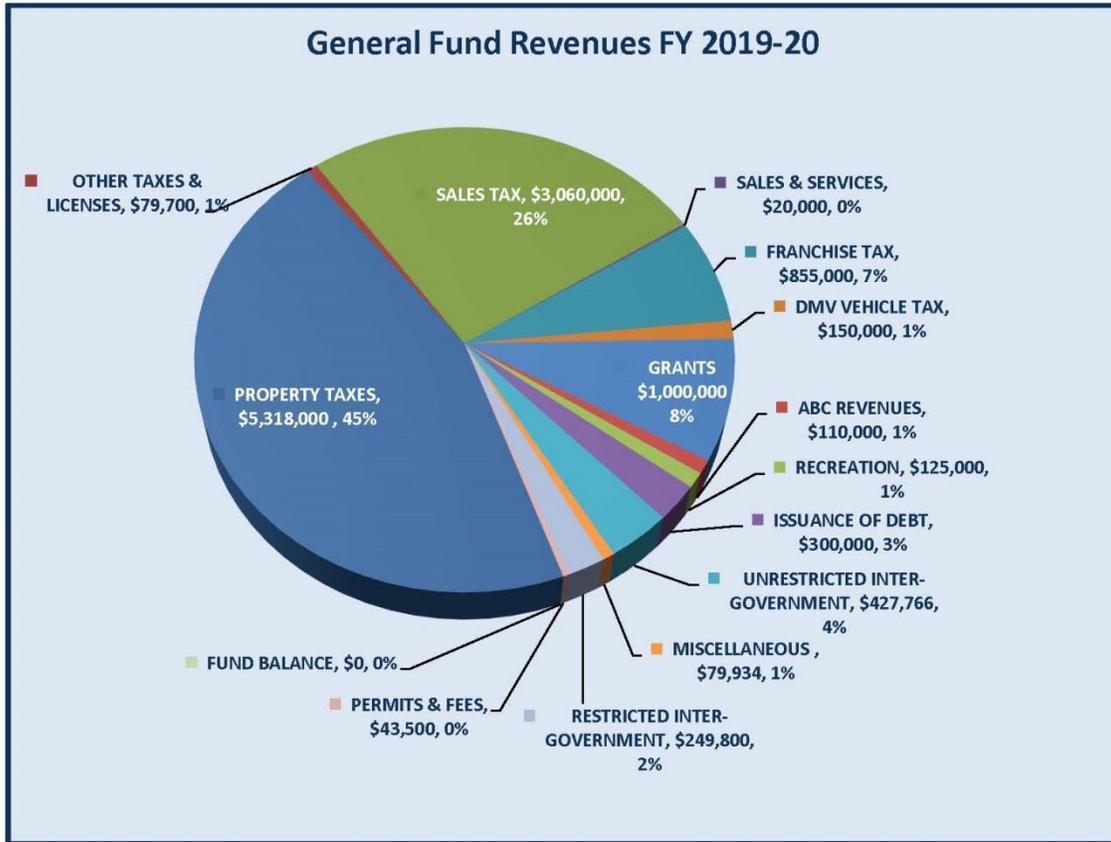
1. The city manager and staff propose the annual budget and present it to the city council for consideration.
2. The city is required to adopt a balanced city budget by June 30 for the upcoming budget year, following a public hearing on the proposed budget. The city council voted to adopt the 2019-2020 proposed budget on June 6. The budget was unanimously approved (5-0).

## *City Demographics*

- Population - 10,700
- Water Customers – 5,620
- Sewer Customers – 2,870
- Electric Customers – 2,750
- City Employees - 157

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For fiscal year 2019-20, the City of Lincolnton projected revenues for the General Fund totals \$11,818,700. The approved budget maintains the tax rate at 56 cents per \$100 in property valuation. The largest sources of revenues are Property Taxes, Sales Tax, Franchise Tax and Fund Balance. The following section provides a brief description of the city's revenue sources by category:



<p><b>Property Taxes (45%)</b> Taxes collected from property owners based upon an assessed valuation and tax rate. The dollar amount received is to be used to fund governmental services and debt service. The City's tax rate is 56 cents per \$100 and has not changed since 2002.</p>	<p><b>Permits and Fees (.2%)</b> Fees collected for issuance of permits by the city. One of the large components of this is business licenses.</p>
<p><b>Sales Tax (25.9%)</b> Taxes imposed on the purchase, sale, rental, storage use or consumption of tangible personal property and related services. Specifically represents the city's portion of the 2% sales and use tax collected.</p>	<p><b>Restricted Inter-Government (2%)</b> Revenue from other governments in the form of operating grants, shared revenues. Must be spent as specified in the grants.</p> <p><b>Grants (8.5%)</b> Revenue from State grant for CMAQ 321 Sidewalk project.</p>
<p><b>Franchise Tax (7.2%)</b> Taxes imposed on corporations or business for using public property for private purposes.</p>	<p><b>Unrestricted Inter-Government (3.5%)</b> Revenue from inter-fund transfers related to providing administrative and support services to enterprise operations.</p>
<p><b>Other Taxes &amp; Licenses (.7%)</b> Taxes not classified under any other taxes.</p>	<p><b>Miscellaneous (1.2%)</b> Fees collected for items not categorized above.</p>
<p><b>Sales and Services (.2%)</b> Fees collected for general government services.</p>	<p><b>Recreation Fees (1%)</b> Fees collected for participation in activities and facility rentals.</p>
<p><b>ABC Revenues (.9%)</b> ABC profits paid to the City.</p>	<p><b>DMV Vehicle Tax (1.2%)</b> \$20 fee per non motorized vehicle in the City limits.</p>
<p><b>Issuance of Debt (2.5%)</b> Loans for Capital Expenses</p>	<p><b>Fund Balance (0%)</b> Funds not included in budget that are similar to a "savings account".</p>

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The financial review section is designed to provide information to give the reader an increased level of understanding of how available resources are utilized to provide services. The section below summarizes the city's largest sources of revenue and expenses.

## WHERE THE MONEY COMES FROM.....

GENERAL FUND REVENUES	FY 2019-20	
PROPERTY TAXES	\$ 5,318,000	45.0%
OTHER TAXES & LICENSES	79,700	0.7%
SALES TAX	3,060,000	25.9%
SALES & SERVICES	20,000	0.2%
FRANCHISE TAX	855,000	7.2%
DMV VEHICLE TAX	150,000	1.3%
GRANTS	1,000,000	8.5%
ABC REVENUES	110,000	0.9%
RECREATION	125,000	1.1%
ISSUANCE OF DEBT	300,000	2.5%
UNRESTRICTED INTER-GOVERNMENT	427,766	3.6%
MISCELLANEOUS	79,934	0.7%
RESTRICTED INTER-GOVERNMENT	249,800	2.1%
PERMITS & FEES	43,500	0.4%
FUND BALANCE	0	0.0%
<b>TOTAL GENERAL FUND REVENUES</b>	<b>\$ 11,818,700</b>	<b>100%</b>
<b>POWELL BILL FUND</b>	<b>\$ 545,000</b>	<b>100%</b>
<b>BUSINESS TYPE REVENUES</b>		
WATER SALES/SEWER SALES	7,760,000	46.5%
OTHER WATER REVENUES	286,949	1.7%
ISSUANCE OF DEBT	0	0.0%
FUND BALANCE- WATER FUND	570,000	3.4%
ELECTRICITY SALES	7,734,600	46.4%
OTHER ELECTRIC REVENUES	221,750	1.3%
FUND BALANCE- ELECTRIC	100,000	0.6%
<b>TOTAL BUSINESS TYPE REVENUES</b>	<b>\$ 16,673,299</b>	<b>100%</b>
<b>TOTAL REVENUES</b>	<b>\$ 29,036,999</b>	

## WHERE THE MONEY GOES.....

GENERAL FUND	FY 2019-20	%	Cents
POLICE	3,218,020	27.2%	12.3 ¢
FIRE	2,255,800	19.1%	8.6 ¢
STREET MAINTENANCE	1,164,325	9.9%	4.4 ¢
PARKS & RECREATION	1,285,163	10.9%	4.9 ¢
GENERAL EXPENSE	1,108,160	9.4%	4.2 ¢
SOLID WASTE	823,855	7.0%	3.1 ¢
GENERAL DEBT SERVICE	424,632	3.6%	1.6 ¢
CITY MANAGER/CLERK	277,495	2.3%	1.1 ¢
FINANCE	149,630	1.3%	0.6 ¢
PLANNING/ZONING	575,420	4.9%	2.2 ¢
HUMAN RESOURCES	243,020	2.1%	0.9 ¢
PUBLIC WORKS	44,010	0.4%	0.2 ¢
COMMUNITY DEVELOPMENT	133,200	1.1%	0.5 ¢
EQUIPMENT SERVICES	115,970	1.0%	0.4 ¢
<b>TOTAL GENERAL FUND EXPENSES</b>	<b>11,818,700</b>	<b>100%</b>	<b>56.0 ¢</b>
<b>POWELL BILL FUND</b>	<b>545,000</b>	<b>100%</b>	
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>12,363,700</b>		
<b>BUSINESS TYPE FUNDS</b>			
WATER TREATMENT	1,506,850	9.0%	
DISTRIBUTION AND COLLECTION	1,847,150	11.1%	
WASTEWATER	1,567,500	9.4%	
WATER AND SEWER INTANGIBLES	3,695,449	22.2%	
<b>TOTAL WATER/SEWER FUND</b>	<b>8,616,949</b>	<b>51.7%</b>	
<b>ELECTRIC FUND</b>	<b>8,056,350</b>	<b>48.3%</b>	
<b>TOTAL BUSINESS TYPE ACTIVITIES</b>	<b>\$ 16,673,299</b>	<b>100%</b>	
<b>TOTAL EXPENSES</b>	<b>\$ 29,036,999</b>		

### General Fund Revenue

All revenue that is not required to be reported as program revenue. All taxes, even those that are levied for specific purpose, are general revenues and should be reported by type of tax.

### Business-Type Activities

One of two classes of activities reported in the government-wide financial statements. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services. These activities are normally reported in enterprise funds. The city currently has two business-type funds- The Water and Sewer Fund and The Electric Fund.

### Powell Bill Revenue

Powell Bill allocations are made to incorporated municipalities which establish their eligibility and qualify per North Carolina General Statute 136-41.1 through 136-41.4.

### Government Activities

Activities generally financed through taxes, intergovernmental revenues and other non-exchange revenues.

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## FUND BALANCE QUESTIONS

- **What is fund balance?**
  - This is what governments call monies that have accumulated over the years that are set aside for future use. It is similar to a savings account that individuals have. Many people refer to this as the “Rainy Day Fund”.
- **Where did the money in fund balance come from?**
  - Budgets are done on an estimated basis. Whatever money is not spent each year automatically becomes part of fund balance.
- **Why does the City need fund balance?**
  - The Local Government Commission that monitors all governmental agencies in NC requires that at least two months of operating costs be kept in fund balance for solvency reasons related to debt service. The minimum amount that must be kept is equivalent to 16% or \$1.5 million for the City. In order to plan for unforeseen operational needs, it is necessary to keep more than the required minimum.
- **Does the City ever spend fund balance?**
  - Yes. Each year, the City spends a portion of the fund balance in the regular budget in order to meet the needs to operate and provide services. The goal is to maintain the fund balance at a constant level. However, in the past several years, the City has had to use more of the fund balance due to lack of total revenues.
- **How much is the City’s fund balance?**
  - The city’s available General Fund Balance is \$3,500,000, or 38%. This is in line with the state average. The chart below indicates a decline in the available fund balance over the past several years. The city is carefully monitoring the budget in order to stabilize revenues and expenses.

