

Review of City of Lincolnton 2021-22 Budget



City Budget

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 2021-22 proposed budget on June 3. The budget was unanimously approved (5-0).

Types of Funds- The city budget consists of 6 different funds:

- **General Fund** – (\$11,037,157) 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.
- **Boger City Fire District Fund** – (\$985,000) This fund covers the cost of operating the fire department located in Boger City. The Boger City Fire District is consolidating with the City of Lincolnton. The Boger City Fire District tax rate is 12.5 cents per \$100 valuation.
- **Powell Bill Fund** – (\$305,000) This fund shall be expended primarily for the purposes of resurfacing streets within the corporate limits of the municipality but may also 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.
- **Special Revenue Fund** – (\$1,640,000) This fund serves to accommodate revenues received through dedicated grant revenue sources. The American Rescue Plan from the Federal Government is to be used to make investments in water, sewer, and/or broadband infrastructure.
- **Water and Sewer Fund** – (\$8,196,950) 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** – (\$7,797,350) This fund covers the operation and maintenance of the city electric infrastructure and provides electricity to city customers. There were no increases in rates.

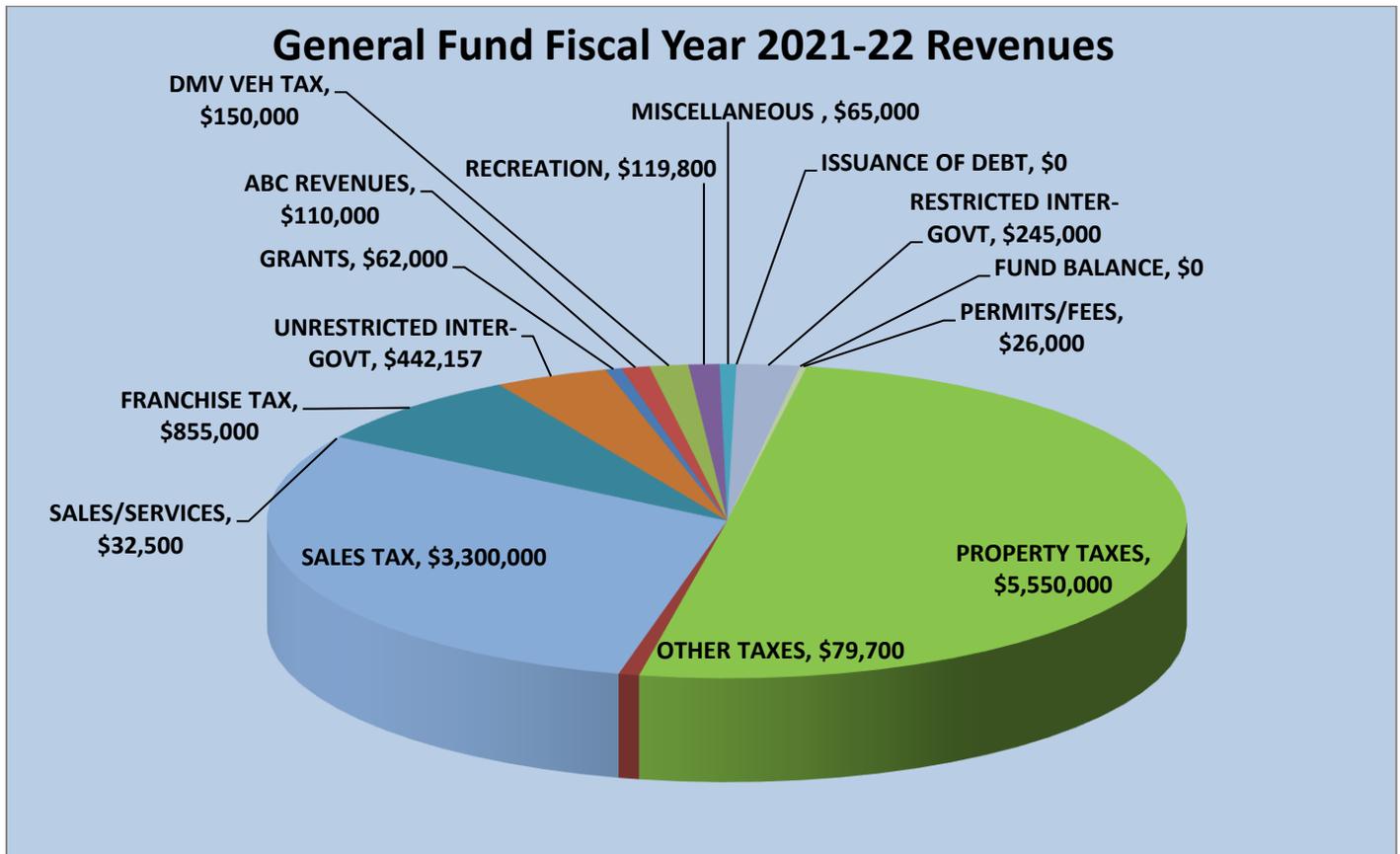
Budget (Fiscal) Year- The City of Lincolnton budget year runs from July 1 through June 30 of the following year.

City Demographics

- Population - 11,678
- Water Customers – 6,401
- Sewer Customers – 5,904
- Electric Customers – 3,081
- City Employees – 161

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For fiscal year 2021-22, the City of Lincolnton projected revenues for the General Fund totals \$11,037,157. 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 and Franchise Tax. The following section provides a brief description of the city's revenue sources by category:



<p>Property Taxes (50.3%) 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>Permits and Fees (.2%) Fees collected for issuance of permits by the city. One of the large components of this is business licenses.</p>
<p>Sales Tax (29.9%) 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>Restricted Inter-Government (2.2%) Revenue from other governments in the form of operating grants, shared revenues. Must be spent as specified in the grants.</p> <p>Grants (0.6%) Revenue from State grant for CMAQ 321 Sidewalk project.</p>
<p>Franchise Tax (7.8%) Taxes imposed on corporations or business for using public property for private purposes.</p>	<p>Unrestricted Inter-Government (4.0%) Revenue from inter-fund transfers related to providing administrative and support services to enterprise operations.</p>
<p>Other Taxes & Licenses (.7%) Taxes not classified under any other taxes.</p>	<p>Miscellaneous (.6%) Fees collected for items not categorized above.</p>
<p>Sales and Services (.3%) Fees collected for general government services.</p>	<p>Recreation Fees (1.1%) Fees collected for participation in activities and facility rentals.</p>
<p>ABC Revenues (1.0%) ABC profits paid to the City.</p>	<p>DMV Vehicle Tax (1.4%) \$20 fee per non motorized vehicle in the City limits.</p>
<p>Issuance of Debt (0%) Loans for Capital Expenses</p>	<p>Fund Balance (0%) 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 2021-22	%
PROPERTY TAXES	5,550,000	50.3%
OTHER TAXES & LICENSES	79,700	0.7%
SALES TAX	3,300,000	29.9%
SALES & SERVICES	32,500	0.3%
FRANCHISE TAX	855,000	7.7%
DMV VEHICLE TAX	150,000	1.4%
GRANTS	62,000	0.6%
ABC REVENUES	110,000	1.0%
RECREATION	119,800	1.1%
ISSUANCE OF DEBT	-	0.0%
UNRESTRICTED INTER-GOVERNMENT	442,157	4.0%
MISCELLANEOUS	65,000	0.6%
RESTRICTED INTER-GOVERNMENT	245,000	2.2%
PERMITS & FEES	26,000	0.2%
FUND BALANCE	-	0.0%
TOTAL GENERAL FUND REVENUES	11,037,157	100%
BOGER CITY FIRE DISTRICT	985,000	100%
POWELL BILL FUND	305,000	100%
SPECIAL REVENUE FUND	1,640,000	100%
BUSINESS TYPE REVENUES		
WATER SALES/SEWER SALES	7,910,000	42.6%
OTHER WATER REVENUES	286,950	1.5%
ISSUANCE OF DEBT	-	0.0%
FUND BALANCE- WATER FUND	-	0.0%
ELECTRICITY SALES	7,511,600	40.4%
OTHER ELECTRIC REVENUES	285,750	1.5%
FUND BALANCE- ELECTRIC	-	0.0%
TOTAL BUSINESS TYPE REVENUES	15,994,300	100%
TOTAL REVENUES	29,961,457	

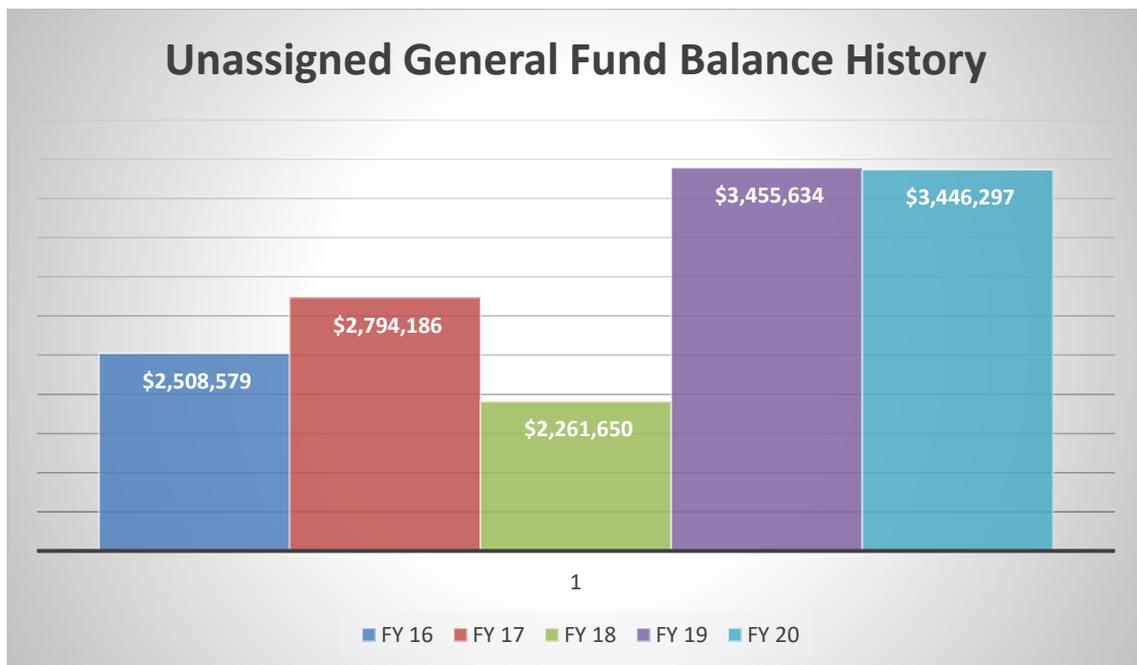
WHERE THE MONEY GOES.....			
GENERAL FUND	FY 2021-22	%	Cents
POLICE	3,350,520	30.4%	13.7 ¢
FIRE	2,214,200	20.1%	9.0 ¢
STREET MAINTENANCE	778,605	7.1%	3.2 ¢
PARKS & RECREATION	1,063,163	9.6%	4.3 ¢
GENERAL EXPENSE	1,449,895	13.1%	5.9 ¢
SOLID WASTE	522,095	4.7%	2.1 ¢
GENERAL DEBT SERVICE	293,924	2.7%	1.2 ¢
CITY MANAGER/CLERK	173,960	1.6%	0.7 ¢
FINANCE	135,270	1.2%	0.6 ¢
PLANNING/ZONING	330,440	3.0%	1.3 ¢
HUMAN RESOURCES	334,015	3.0%	1.4 ¢
PUBLIC WORKS	44,580	0.4%	0.2 ¢
COMMUNITY DEVELOPMENT	123,200	1.1%	0.5 ¢
EQUIPMENT SERVICES	223,290	2.0%	0.9 ¢
TOTAL GENERAL FUND EXPENSES	11,037,157	100%	56.0 ¢
BOGER CITY FIRE DISTRICT	985,000	100%	
POWELL BILL FUND	305,000	100%	
SPECIAL REVENUE FUND	1,640,000	100%	
TOTAL GOVERNMENTAL ACTIVITIES	13,967,157		
BUSINESS TYPE FUNDS			
WATER TREATMENT	1,727,350	9.3%	
DISTRIBUTION AND COLLECTION	2,056,300	11.1%	
WASTEWATER	1,931,597	10.4%	
WATER AND SEWER INTANGIBLES	2,481,703	13.4%	
TOTAL WATER/SEWER FUND	8,196,950		
ELECTRIC FUND	7,797,350	42.0%	
TOTAL BUSINESS TYPE ACTIVITIES	15,994,300	86%	
TOTAL EXPENSES	29,961,457		

<p>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.</p>	<p>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.</p>
<p>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.</p>	<p>Government Activities Activities generally financed through taxes, intergovernmental revenues and other non-exchange revenues.</p>
<p>Special Revenue Specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.</p>	

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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 \$1.8 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. Depending on the economy, the City may appropriate 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 couple of years, the City has been able to increase the fund balance due to cost cutting initiatives and streamlining processes.
- **How much is the City’s fund balance?**
 - The city’s available General Fund Balance is ~ \$3,400,000, or 30%. This is in line with the state average. The city is carefully monitoring the budget in order to stabilize revenues and expenses.



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PROJECTS/ACCOMPLISHMENTS

- **Police Building- \$1.3M**
 - Houses police and detectives. Renovations are complete. Officially opened to the public on February 1, 2021.
- **Welcome Center- \$550K**
 - Central location for literature about Lincolnnton & community activities, Public restrooms, DDA offices & City communications office. Plan to open in mid/late June 2021.
- **Local Roots Restaurant- \$880K**
 - Community based restaurant planning to open June 18, 2021.
- **Motz Avenue Dog Park- \$97K**
 - Construction complete. Officially opened to the public on May 1, 2021.
- **Smart Meter Program- \$2.5M**
 - Water meters complete. Electric meters being replaced now.
 - Have eliminated 2 meter reader positions- \$90,000 saving per year.
 - Recouping previous unbilled usage- \$100,000 month.
- **Boger City Fire Department Merger**
 - BDFD requested merger with City effective July 1.
 - Why? State recommended. BCFD cannot meet staffing needs to provide services.
 - Saves City \$1.9M in equipment needs.
 - Saves City \$50,000 in staffing costs for providing mutual aid.
 - Provides Boger City residents and businesses higher level of service.
 - Saves Boger City residents and businesses insurance costs due to City's ISO rating.-