

Review of City of Lincolnton 2023-24 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 2023-24 proposed budget on June 1. The budget was unanimously approved (5-0).

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

- **General Fund** – (\$14,457,785) This fund covers most city operations, such as Fire, Parks and Recreation, Police, Streets and Planning. The property tax rate is 50 cents per \$100 valuation. This is the first property tax rate change since tax year 2000.
- **Boger City Fire District Fund** – (\$1,483,000) This fund covers the cost of operating the fire department located in Boger City. The Boger City Fire District consolidated with the City of Lincolnton effective July 1, 2021. The Boger City Fire District tax rate is 12.5 cents per \$100 valuation.
- **Powell Bill Fund** – (\$326,000) 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.
- **Special Revenue Fund** – () This fund serves to accommodate revenues received through dedicated grant revenue sources. The City of Lincolnton anticipates receiving additional Federal and State grant funds in FY2023-2024 from the State Reserve Funds (SRP) grant from the American Rescue Plan Act (ARPA) and State SCIF grants. The City of Lincolnton is also looking into other grant opportunities that will supplement the City's capital improvement plan as they become available. These will be budgeted out once the City of Lincolnton receives and makes obligations.
- **Water and Sewer Fund** – (\$8,272,950) 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** – (\$7,922,729) This fund covers the operation and maintenance of the city electric infrastructure and provides electricity to city customers. There were no increases in rates.

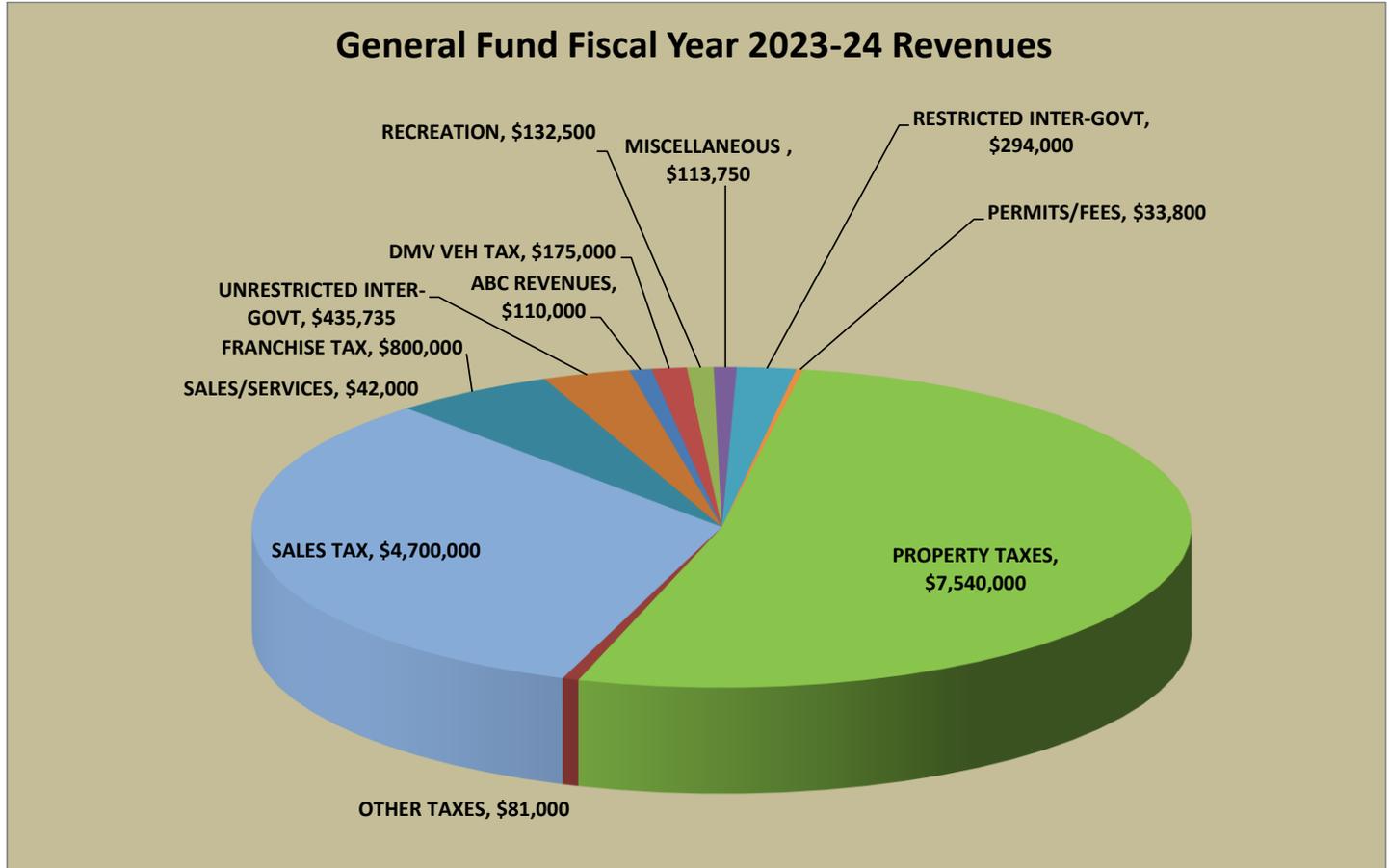
Budget (Fiscal) Year- The City of Lincolnton budget year runs from July 1 through June 30 of the following year.

City Demographics

- Population - ~11,678
- Water Customers – 5,865
- Sewer Customers – 4,667
- Electric Customers – 2862
- City Employees – 169

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For fiscal year 2023-24, the City of Lincolnton projected revenues for the General Fund totals \$14,457,785. The approved budget decreased the tax rate to 50 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 (52.15%) 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 changed to 50 cents per \$100. Prior to the FY2324 budget the tax rate had not changed since tax year 2000.</p>	<p>Permits and Fees (0.20%) Fees collected for issuance of permits by the city. One of the large components of this is business licenses.</p>
<p>Sales Tax (32.51%) 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 (2.03%) Revenue from other governments in the form of operating grants, shared revenues. Must be spent as specified in the grants.</p>
<p>Franchise Tax (5.50%) Taxes imposed on corporations or business for using public property for private purposes.</p>	<p>Unrestricted Inter-Government (3.01%) Revenue from inter-fund transfers related to providing administrative and support services to enterprise operations.</p>
<p>Other Taxes & Licenses (0.56%) Taxes not classified under any other taxes.</p>	<p>Miscellaneous (0.79%) Fees collected for items not categorized above.</p>
<p>Sales and Services (0.29%) Fees collected for general government services.</p>	<p>Recreation Fees (0.92%) Fees collected for participation in activities and facility rentals.</p>
<p>ABC Revenues (0.76%) ABC profits paid to the City.</p>	<p>DMV Vehicle Tax (1.21%) \$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 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 2023-24	%
PROPERTY TAXES	7,540,000	52.2%
OTHER TAXES & LICENSES	81,000	0.6%
SALES TAX	4,700,000	32.5%
SALES & SERVICES	42,000	0.3%
FRANCHISE TAX	800,000	5.5%
DMV VEHICLE TAX	175,000	1.2%
GRANTS	-	0.0%
ABC REVENUES	110,000	0.8%
RECREATION	132,500	0.9%
ISSUANCE OF DEBT	-	0.0%
UNRESTRICTED INTER-GOVERNMENT	435,735	3.0%
MISCELLANEOUS	113,750	0.8%
RESTRICTED INTER-GOVERNMENT	294,000	2.0%
PERMITS & FEES	33,800	0.2%
FUND BALANCE	-	0.0%
TOTAL GENERAL FUND REVENUES	14,457,785	100%
BOGER CITY FIRE DISTRICT	1,483,000	100%
POWELL BILL FUND	326,000	100%
SPECIAL REVENUE FUND	-	100%
BUSINESS TYPE REVENUES		
WATER SALES/SEWER SALES	7,990,000	43.0%
OTHER WATER REVENUES	282,950	1.5%
ISSUANCE OF DEBT	-	0.0%
FUND BALANCE- WATER FUND	-	0.0%
ELECTRICITY SALES	7,648,475	41.2%
OTHER ELECTRIC REVENUES	274,254	1.5%
FUND BALANCE- ELECTRIC	-	0.0%
TOTAL BUSINESS TYPE REVENUES	16,195,679	100%
TOTAL REVENUES	32,462,464	

WHERE THE MONEY GOES.....			
GENERAL FUND	FY 2023-24	%	Cents
POLICE	4,323,300	29.9%	15.0 ¢
FIRE	2,680,950	18.5%	9.3 ¢
STREET MAINTENANCE	1,324,450	9.2%	4.6 ¢
PARKS & RECREATION	1,304,610	9.0%	4.5 ¢
GENERAL EXPENSE	1,968,612	13.6%	6.8 ¢
SOLID WASTE	639,275	4.4%	2.2 ¢
GENERAL DEBT SERVICE	202,950	1.4%	0.7 ¢
CITY MANAGER/CLERK	192,170	1.3%	0.7 ¢
FINANCE	56,490	0.4%	0.2 ¢
IT GENERAL SERVICES	382,755	2.6%	1.3 ¢
PLANNING/ZONING	420,910	2.9%	1.5 ¢
HUMAN RESOURCES	372,793	2.6%	1.3 ¢
PUBLIC WORKS	88,995	0.6%	0.3 ¢
COMMUNITY DEVELOPMENT	220,275	1.5%	0.8 ¢
EQUIPMENT SERVICES	279,250	1.9%	1.0 ¢
TOTAL GENERAL FUND EXPENSES	14,457,785	100%	50.0 ¢
BOGER CITY FIRE DISTRICT	1,483,000	100%	
POWELL BILL FUND	326,000	100%	
SPECIAL REVENUE FUND	-	100%	
TOTAL GOVERNMENTAL ACTIVITIES	16,266,785		
BUSINESS TYPE FUNDS			
WATER TREATMENT	2,190,000	13.5%	
DISTRIBUTION AND COLLECTION	2,232,600	13.8%	
WASTEWATER	1,999,860	12.3%	
WATER AND SEWER INTANGIBLES	1,850,490	11.4%	
TOTAL WATER/SEWER FUND	8,272,950		
ELECTRIC FUND	7,922,729	48.9%	
TOTAL BUSINESS TYPE ACTIVITIES	16,195,679	100%	
TOTAL EXPENSES	32,462,464		

<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 a minimum of the general fund balance be at least 25% of the general fund expenditures at the end of the fiscal year. This became effective with FY 2020-2021. In order to plan for unforeseen operational needs, it is necessary to keep more than the required minimum.

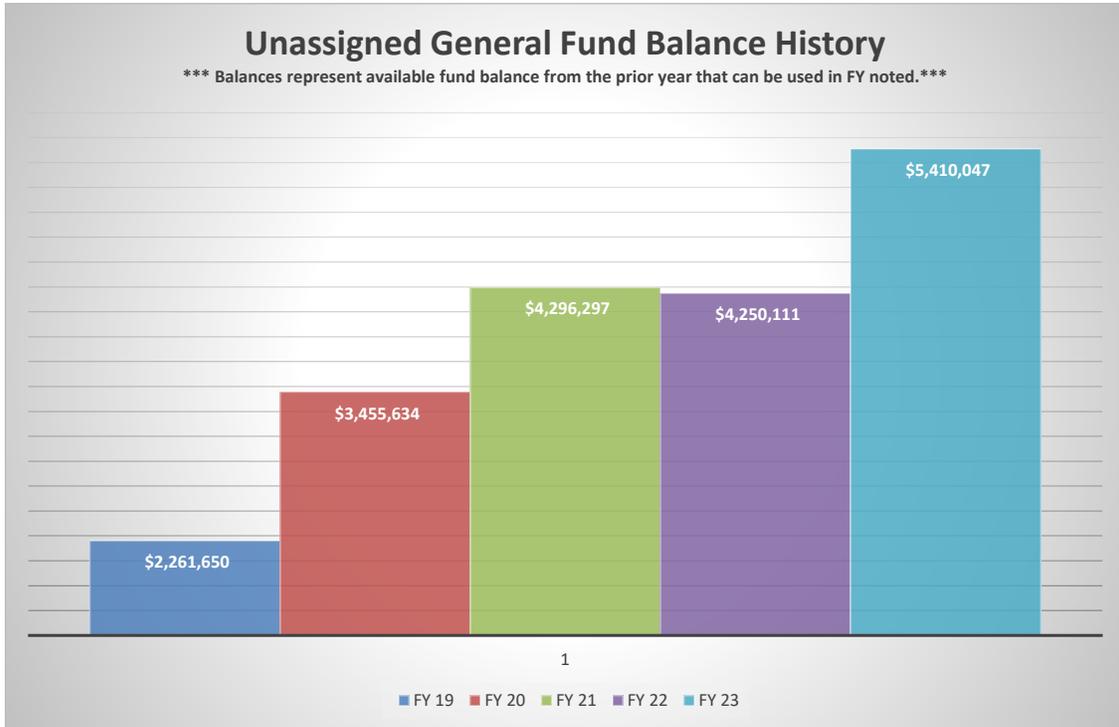
- **Does the City ever spend fund balance?**

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 ~ \$5,410,047, or 41.78%. This is in line with the state average for a municipality with an electric system and with a population grouping of 10,000 to 49,999. The city is carefully monitoring the budget in order to stabilize revenues and expenses.

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PROJECTS/ACCOMPLISHMENTS

- **Rail Trail Patio Project-\$274K (Phase I)**

The City has received several grants to construct a patio along the Marcia Cloninger Rail Trail. Funding received from the Timken Foundation of Canton, LTDA, and the State of North Carolina in the amounts of \$50,000, \$45,000 and \$178,507; respectively. Completion of the project was expected before the end of FY22/23 but due to supply chain issues and weather, the project will hopefully be completed before the end of 2023 calendar year.

- **Public Service Center Project/Substation-\$1.3M (Phase I)**

The City purchased the Excel Textile Supply Company building and surrounding land in November 2022. This purchase is the initial phase of the City's PSC/Substation project to centralize public works and establish another substation for the City's electric services for future growth. This project is projected to have a minimum of three phases. Phase I – purchase of building/land; Phase II – PSC architectural up-fit of the facilities; Phase III – substation design and construction.

- **Information Technology Server Upgrades-\$263K**

The City upgraded the Information Technology servers to be more in line with current advances and for future growth. The City's last partial upgrade was in 2015 and the system is no longer viable. This upgrade also provides redundancy for any instances of power outages and other possible issues. This helps with our insurance costs for Cybersecurity.

- **Fiber Ring Project-\$450K**

The City is constructing a flexible alternative to using connectivity services via ATT/Altaworx. This project is set to increase the connectivity speeds between locations to match infrastructure capabilities by giving the City the flexibility to control these options.

- Multiple phases
- Estimated completion date of mid-June 2023.
- Net savings within 5 years of the project should net 1 million dollars.

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- **City Park Redevelopment-\$4.1M**

The City contracted with McGill & Associates to facilitate the City Park Redevelopment project. This project is a multi-year endeavor to add to the City's Parks and Greenways. The City will be utilizing funding from various sources to pay for this project including ARPA funds, grant opportunities such as the NC Parks and Recreation Trust Fund and Land and Water Conservation Fund Grants, if available, and other sources. The City sought input from the community and below is the final project concept plan as presented and approved by City Council.



Recreational Elements include:

- * Multi-purpose field
- * (1 mile) Paved/Boardwalk Walking Trail
- * Natural Surface Trail
- * (8) Pickleball Courts
- * ½ Basketball Court
- * Bicycle Pump Course
- * Restroom Building
- * Refurbished Ex. Restrooms/Office
- * Playground/Tot-lot
- * (4) Small Shelters
- * Large Picnic Pavilion/Performance Stage
- * (4) Fitness Stations
- * (3) Cornhole
- * (89 Space) Paved Parking Lot
- * Drop/off/Plaza with Food Truck Hook-ups

- **Highland Drive Park-\$333K**

The City received SCIF monies (\$243K) from the State of North Carolina to purchase and install new playground equipment at the park. In addition to the equipment, the City will need to grade and develop a new parking lot for patrons of the park. The City budgeted \$90K for the additional parking lot to complete this project. Project completion is expected at FYE June 30, 2023.

- **Solid Waste Garbage Truck-\$351K**

The City financed the purchase of a new solid waste garbage truck in October 2022. Financing through the Lincolnton branch of United Bank is over a seven year period, paid monthly.