

# Review of City of Lincolnton 2024-25 Budget

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## 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 2024-25 proposed budget on June 6, 2024. The budget was unanimously approved (4-0).

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

- **General Fund** – (\$17,482,008) This fund covers most city operations, such as Fire, Parks and Recreation, Police, Streets and Planning. Effective with the FY2425 budget, the City of Lincolnton incorporated the Boger City Fire District Fund into the General Fund per the recommendation of the City's auditors and after the time lapse of the consolidation process per the courts. The property tax rate is 50 cents per \$100 valuation. This is the first property tax rate change since tax year 2000. The Boger City Fire District tax rate is 12.5 cents per \$100 valuation.
- **Powell Bill Fund** – (\$327,000) 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 FY2024-2025 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** – (\$8,983,500) 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** – (\$7,877,425) This fund covers the operation and maintenance of the city electric infrastructure and provides electricity to city customers. There were no increases in rates.

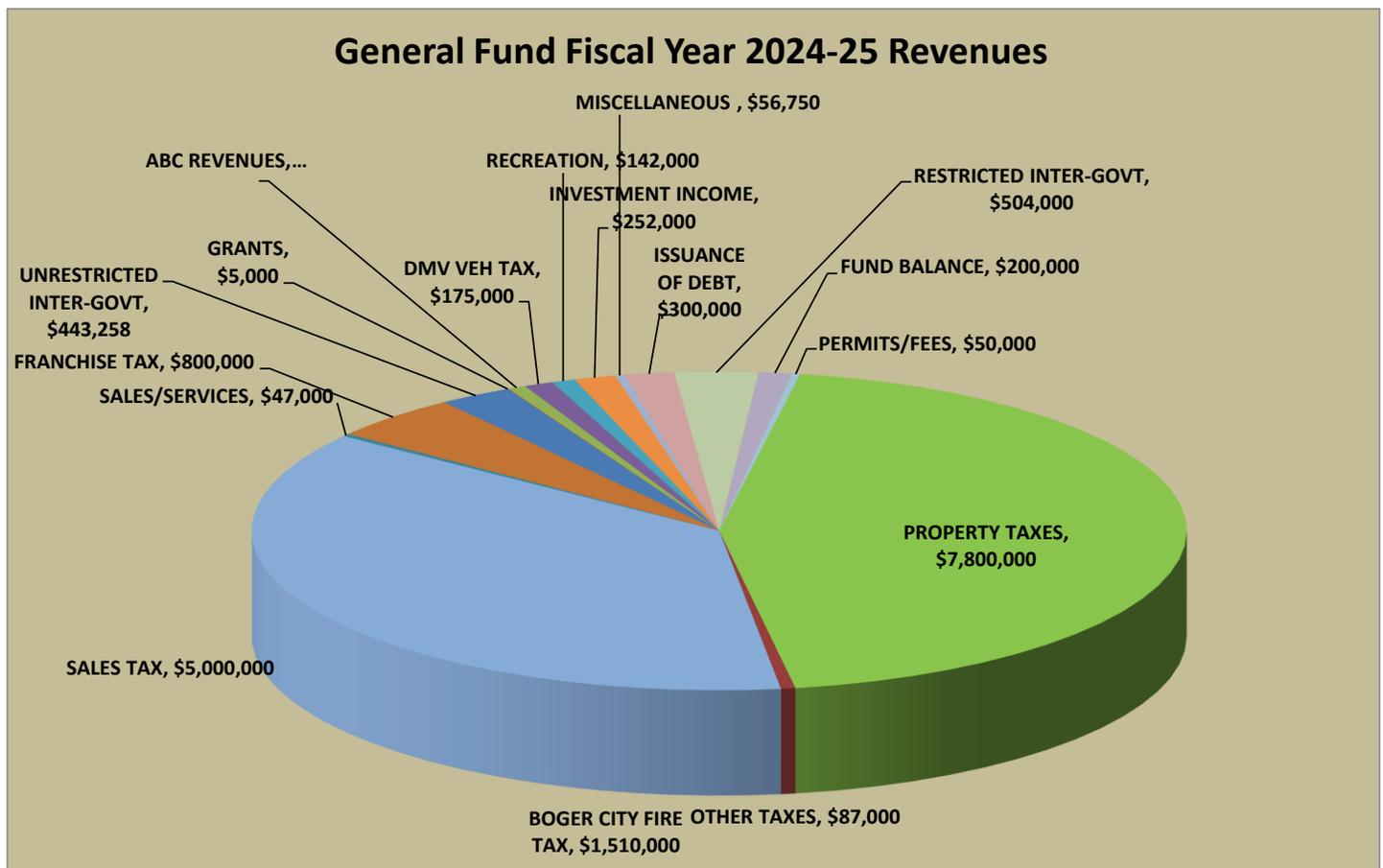
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**Budget (Fiscal) Year-** The City of Lincolnton budget year runs from July 1 through June 30 of the following year.

## City Demographics

- Population - ~12,128
- Water Customers – 6,284
- Sewer Customers – 4,783
- Electric Customers – 3,004
- City Employees – 173

For fiscal year 2024-25, the City of Lincolnton projected revenues for the General Fund total \$17,482,008. 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><b>Property Taxes (44.62%)</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 changed to 50 cents per \$100. Prior to the FY2324 budget the tax rate had not changed since tax year 2000.</p>	<p><b>Permits and Fees (0.29%)</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 (28.60%)</b> Taxes imposed on the purchase, sale, rental, storage use or</p>	<p><b>Restricted Inter-Government (2.88%)</b> Revenue from other governments in the form of operating grants,</p>

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consumption of tangible personal property and related services. Specifically represents the city's portion of the 2% sales and use tax collected.	shared revenues. Must be spent as specified in the grants.
<b>Boger City Fire Tax (8.64%)</b> Taxes collected from property owners based on an assessed valuation and tax rate within Boger City. The dollar amount received is to be used to cover the operating costs for the fire department located in Boger City.	<b>Investment Income (1.44%)</b> Interest revenue from the City's operating and investment accounts.
<b>Franchise Tax (4.58%)</b> Taxes imposed on corporations or business for using public property for private purposes.	<b>Unrestricted Inter-Government (2.54%)</b> Revenue from inter-fund transfers related to providing administrative and support services to enterprise operations.
<b>Other Taxes &amp; Licenses (0.50%)</b> Taxes not classified under any other taxes.	<b>Miscellaneous (0.32%)</b> Fees collected for items not categorized above.
<b>Sales and Services (0.27%)</b> Fees collected for general government services.	<b>Recreation Fees (0.81%)</b> Fees collected for participation in activities and facility rentals.
<b>ABC Revenues (0.63%)</b> ABC profits paid to the City.	<b>DMV Vehicle Tax (1.00%)</b> \$20 fee per non-motorized vehicle in the City limits.
<b>Issuance of Debt (1.72%)</b> Loans for Capital Expenses	<b>Fund Balance (1.14%)</b> Funds not included in budget that are similar to a "savings account".
<b>Grants (0.03%)</b> Funds received from other sources for specific needs.	

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.

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**WHERE THE MONEY COMES FROM.....**

GENERAL FUND REVENUES	FY 2024-25	%
PROPERTY TAXES	7,800,000	44.6%
OTHER TAXES & LICENSES	87,000	0.5%
BOGER CITY FIRE TAX	1,510,000	8.6%
SALES TAX	5,000,000	28.6%
SALES & SERVICES	47,000	0.3%
FRANCHISE TAX	800,000	4.6%
DMV VEHICLE TAX	175,000	1.0%
GRANTS	5,000	0.0%
ABC REVENUES	110,000	0.6%
RECREATION	142,000	0.8%
INVESTMENT INCOME	252,000	1.4%
ISSUANCE OF DEBT	300,000	1.7%
UNRESTRICTED INTER-GOVERNMENT	443,258	2.5%
MISCELLANEOUS	56,750	0.3%
RESTRICTED INTER-GOVERNMENT	504,000	2.9%
PERMITS & FEES	50,000	0.3%
FUND BALANCE	200,000	1.1%
<b>TOTAL GENERAL FUND REVENUES</b>	<b>17,482,008</b>	<b>100%</b>
<b>POWELL BILL FUND</b>	<b>327,000</b>	<b>100%</b>
<b>SPECIAL REVENUE FUND</b>	<b>-</b>	<b>100%</b>
<b>BUSINESS TYPE REVENUES</b>		
WATER SALES/SEWER SALES	8,630,000	46.5%
OTHER WATER REVENUES	353,500	1.9%
ISSUANCE OF DEBT-W&S	-	0.0%
FUND BALANCE- WATER FUND	-	0.0%
ELECTRICITY SALES	7,308,475	39.3%
OTHER ELECTRIC REVENUES	410,950	2.2%
ISSUANCE OF DEBT-ELECTRIC	158,000	0.9%
FUND BALANCE- ELECTRIC	-	0.0%
<b>TOTAL BUSINESS TYPE REVENUES</b>	<b>16,860,925</b>	<b>100%</b>
<b>TOTAL REVENUES</b>	<b>34,669,933</b>	

**WHERE THE MONEY GOES.....**

GENERAL FUND	FY 2024-25	%	Cents
FIRE	4,871,910	27.9%	13.9 ¢
POLICE	4,815,450	27.5%	13.8 ¢
STREET MAINTENANCE	1,318,806	7.5%	3.8 ¢
PARKS & RECREATION	1,234,100	7.1%	3.5 ¢
GENERAL EXPENSE	2,051,320	11.7%	5.9 ¢
SOLID WASTE	944,675	5.4%	2.7 ¢
GENERAL DEBT SERVICE	330,800	1.9%	0.9 ¢
CITY MANAGER/CLERK	277,901	1.6%	0.8 ¢
FINANCE	62,395	0.4%	0.2 ¢
IT GENERAL SERVICES	273,755	1.6%	0.8 ¢
PLANNING/ZONING	442,523	2.5%	1.3 ¢
HUMAN RESOURCES	335,963	1.9%	1.0 ¢
PUBLIC WORKS	104,435	0.6%	0.3 ¢
COMMUNITY DEVELOPMENT	127,695	0.7%	0.4 ¢
EQUIPMENT SERVICES	290,280	1.7%	0.8 ¢
<b>TOTAL GENERAL FUND EXPENSES</b>	<b>17,482,008</b>	<b>100%</b>	<b>50.0 ¢</b>
<b>POWELL BILL FUND</b>	<b>327,000</b>	<b>100%</b>	
<b>SPECIAL REVENUE FUND</b>	<b>-</b>	<b>100%</b>	
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>17,809,008</b>		
<b>BUSINESS TYPE FUNDS</b>			
WATER TREATMENT	2,066,957	12.3%	
DISTRIBUTION AND COLLECTION	2,710,493	16.1%	
WASTEWATER	1,946,589	11.5%	
WATER AND SEWER INTANGIBLES	2,259,461	13.4%	
<b>TOTAL WATER/SEWER FUND</b>	<b>8,983,500</b>		
ELECTRIC FUND	7,877,425	46.7%	
<b>TOTAL BUSINESS TYPE ACTIVITIES</b>	<b>16,860,925</b>	<b>100%</b>	
<b>TOTAL EXPENSES</b>	<b>34,669,933</b>		

<p><b>General Fund Revenue</b></p> <p>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><b>Business-Type Activities</b></p> <p>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><b>Powell Bill Revenue</b></p> <p>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><b>Government Activities</b></p> <p>Activities generally financed through taxes, intergovernmental revenues and other non-exchange revenues.</p>
<p><b>Special Revenue</b></p> <p>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.

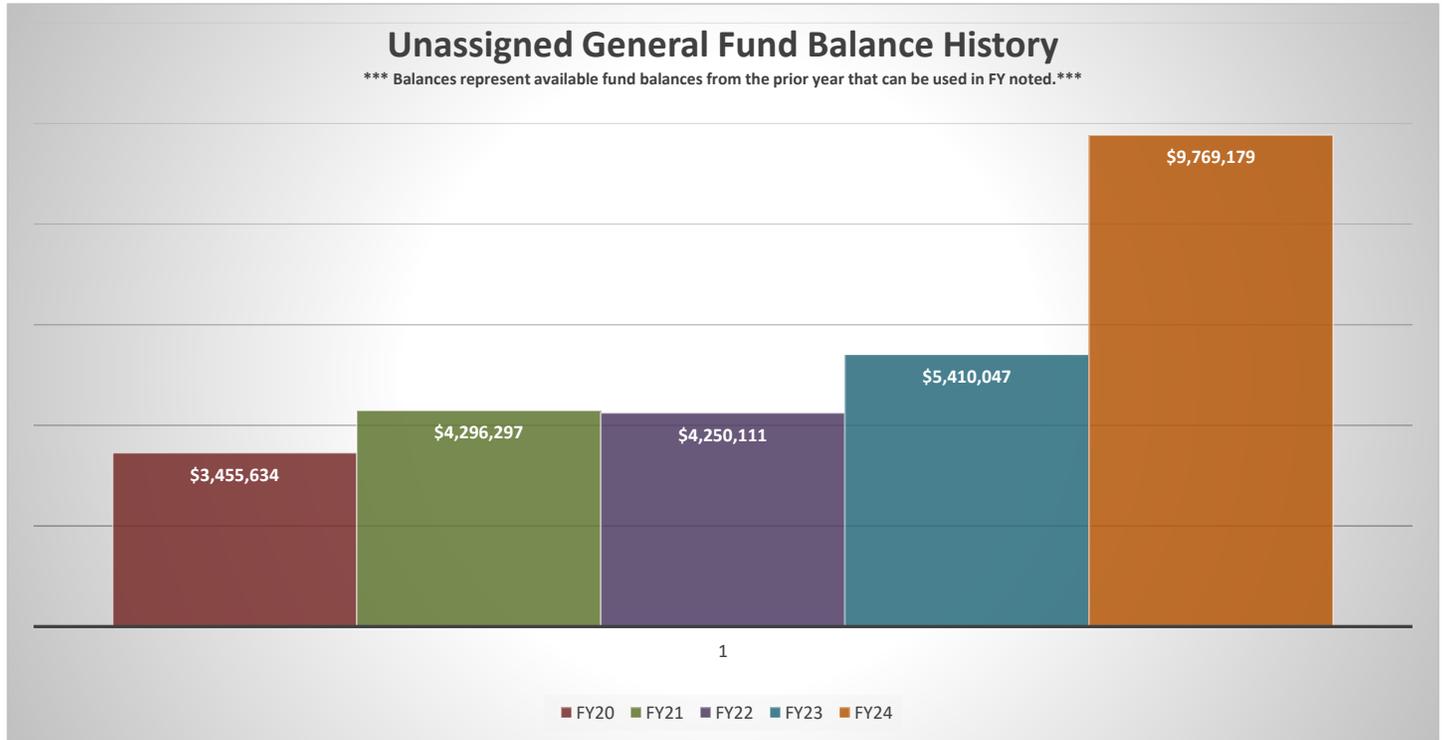
- **Does the City ever spend fund balance?**

- 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 \$10,138,148, or 72.78% per the City of Lincolnton’s FY2223 audit. 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

- **City Hall/Fire/Police Department Roof(s)-\$355K**
  - The City replaced the roof on City Hall and the Fire Department in October 2023 and the roof on the Police Department in January 2024. The Maintenance Department with Lincoln County oversaw the projects and used Johnsons Roofing Service, Inc out of Fort Mill, South Carolina as the contractor. The scope of the work included ~ 30,700 sq ft and was repaired with PVC materials.
- **Public Service Center Project/Substation-\$250K (Phase II-Initial)**
  - The City purchased the Excel Textile Supply Company building and surrounding land in November 2022. This is Phase II – PSC architectural up-fit of the facilities portion of the PCP/Substation Project. The City is contracting with Becker Morgan Group, Inc out of Charlotte as the Architect of the project and Edifice, LLC out of Charlotte as the Construction Manager.
- **Ford Property (311 E. Sycamore, 312 E. Pine Street & 316 E. Pine Street)-\$277K**
  - The City purchased the Ford Property near First Federal Park in February 2024. The City also contracted with D.H. Griffin Wrecking Co. to demolish the existing buildings and fill-in where needed. The City plans to make this area into additional downtown parking at a future date.

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- **Electric Department Altec Yard Machine & Trailer-\$172K**

-The City purchased an ALTEC Yard Machine in June 2024. This equipment will enable the Electric Department to dig a hole, set a 50-foot pole, set a transformer and has a bucket that can be attached to it to work on back property powerlines that the department cannot access with regular vehicles. The purchase of this equipment is in line with the City's "Safety First" initiative.

- **Distribution and Collection 2023 CAT Backhoe Loader-\$154K**

- The City financed the purchase of a 2023 CAT 420 Backhoe Loader in August 2023. Financing through the Lincolnton branch of Peoples Bank is over a seven-year period, paid annually.

- **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 Greenway. The City will be utilizing funding from various sources to pay for this project including ARPA funds, grant opportunities such as the NC PARTF Grant and LWCF, if available, and other sources.

**\*\*\* The City of Lincolnton was awarded \$500,000 from the N.C. Parks and Recreation Trust Fund for the City Park Redevelopment project. This award covers the period of December 1, 2023 – November 30, 2026. The City in turn has to provide a Local Match to this award of ~ \$3,557,440 \*\*\***

The city sought out input from the community and this is what the final concept for the project looks like as presented to the City Council.



-Recreational Elements include:

- \* Multi-purpose field
- \* (1 mile) Paved/Boardwalk Walking Trail
- \* Natural Surface Trail

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- \* (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

## • 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. The project was completed in Spring 2024.

