



The City of

Belmont

North Carolina



City Manager's Recommended Budget Fiscal Year 2020-2021

Belmont City Council

Charles R. Martin, Mayor
Jim Hefferan, Mayor Pro Tem

Ryan Schrift
Marc Seelinger
Martha Stowe
Richard Turner



MEMORANDUM

To: Mayor Martin and City Council

From: Adrian Miller, City Manager *Adrian T. Miller*

Re: FY 2020-2021 Budget Message

Date: April 20, 2020

INTRODUCTION

In accordance with Chapter 159, Article 3 of the NC General Statutes, the Local Government Budget and Fiscal Control Act, I hereby submit the proposed City of Belmont annual budget for Fiscal Year 2020-2021. Through the following budget message, I will highlight the major aspects of this proposed budget, with emphasis given to significant changes between this and the prior year's budget. The total FY 2020-2021 budget as proposed, including General Fund, Water & Sewer Fund, Stormwater Fund, Capital Reserve Utility Fund, and Tourism Development Fund, totals \$25,736,389, which is 0.5% less than the total FY 2019-2020 adopted budget of \$25,861,150.

The proposed budget is essentially flat from the current adopted budget due to concerns about economic conditions brought about by the COVID-19 pandemic. The proposed FY 20-21 General Fund budget is 3% more than the adopted FY 19-20 General Fund, but 9% less than what staff estimates the final FY19-20 General Fund amount will be at end of the fiscal year after a budget amendment. The proposed FY 20-21 Utility Fund budget is 9% less than the adopted FY 19-20 Utility Fund budget, due to less money budgeted to be moved from the capital reserve to pay for capital improvements to the water and sewer system. The proposed FY 20-21 Stormwater Fund budget is 2% more than the adopted FY 19-20 Stormwater Fund budget due to natural growth in the number of residential and nonresidential stormwater accounts. The proposed FY 20-21 Tourism Development Fund is 33% less than the adopted FY 19-20 Tourism Development Fund due to much lower hotel occupancy anticipated next year due to COVID-19 concerns.

This proposed budget was completed with the input from city staff, citizen advisory boards, and the City Council. The City Council held two budget workshops this spring, and this proposed budget includes the feedback from those workshops as well as the City Council's overall goals for the City of Belmont.

CITY COUNCIL GOALS

A municipal budget is more than a collection of anticipated revenues and expenditures; it is a guide to how a city will implement its vision for the community and its goals for the fiscal year. During your annual planning retreat in January, you updated your strategic goals for the five-year period between 2020 and 2025, wanting to focus on the following items:

- **Transportation and Mobility**

GOAL: Develop transportation network with easy access and multiple options

GOAL: Reduce congestion, support road improvements, walkability

GOAL: Explore alternative options for solving transportation issues if standard options are not available

- **Infrastructure**

GOAL: Develop a transportation and infrastructure network that supports balanced growth

Objective: Work with partners to provide a range of mobility choices.

Objective: Invest in road improvements to reduce congestion.

- **Growth Management/Balanced Growth**

GOAL: Manage growth to balance Belmont's small-town, family friendly character with economic development opportunities.

Objective: Support non-residential development that provides employment opportunities for our residents.

Objective: Evaluate use of major development review and conditional zoning to ensure that the City receives high-quality development.

This proposed budget for Fiscal Year 2019-2020 funds initiatives and projects that implement the City Council's goals and objectives. Funding is included to update the City's pedestrian master plan, to design the Abbey Creek Greenway, and to increase funding for sidewalk repairs; to invest in existing parks and to begin design and construction of a new recreation center; to prepare the City for the continued growth Belmont is experiencing by evaluating development standards, exploring ways to make nonresidential development more attractive for developers, and to encourage high-quality commercial development where appropriate; and to continue the City's efforts to use technology to deliver needed services in a cost-effective manner. The budget does this while keeping the property tax rate and fees the same as in the current fiscal year.

GENERAL FUND

REVENUES

The General Fund consists of most of the traditional governmental functions of the City of Belmont, such as police, fire, solid waste, and parks and recreation. The proposed General Fund budget for FY 2020-20210 totals \$14,647,487, an increase of 3% from the originally adopted FY 2019-2020 budget of \$14,202,231. The proposed General Fund represents a decrease of 9% from the current year's revenue experience of \$15.5 million.

The largest source of General Fund revenue is from Ad Valorem Taxes, often referred to as property taxes. This is the only major source of General Fund revenue over which the city council has complete control. The other major sources of General Fund revenue are controlled by the NC General Assembly or the Gaston County Board of Commissioners.

Between FY 2008-2009 and FY 2018-2019, the City has experienced an average annual increase in its property tax revenue of 4.5%. Over the course of the current fiscal year, the City has seen an increase in property tax revenue of 25% over the previous fiscal year. The increase this year is due to the revaluation of real property by Gaston County in 2019.

Within the General Fund, we are projecting an increase in Ad Valorem revenue collection of 3% over the current fiscal year's adopted budget amount. This modest increase is based on a combination of new development in the previous year and the concern about foreclosures from the COVID-19 pandemic. The total value of all taxable properties within Belmont is \$1,639,040,106 as of January 1, 2020. This is a 6% increase (or \$92.7 million) from the total taxable valuation of \$1,546,270,047 on January 1, 2019. This budget keeps the property tax rate steady at \$0.515 per \$100 of taxable property valuation. Chart 1 on page 6 shows the breakdown of various sources of general fund revenue.

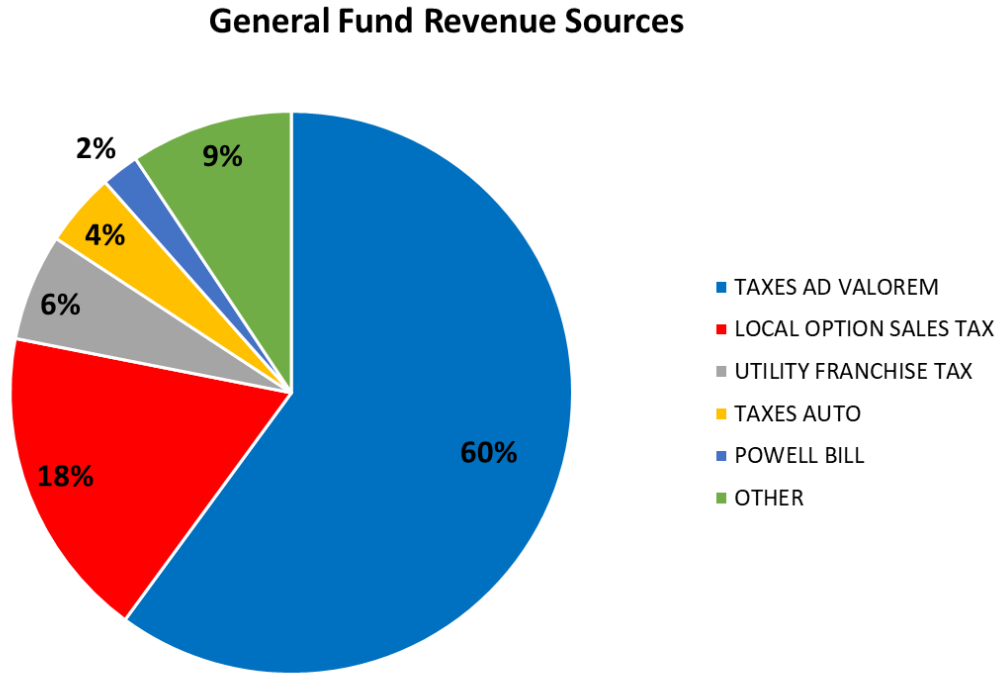
The vehicle license tax of \$15 per vehicle also remains the same in this budget. This revenue is dedicated to repairing and resurfacing our city streets. It is also used to pay the debt service on the \$1 million comprehensive paving program completed in 2016. This revenue supplements the \$319,000 that the City receives in Powell Bill funding from the State of North Carolina. This funding is the City's portion of the state gasoline tax, and it is dedicated to transportation improvements such as street resurfacing and sidewalk repair.

The biggest unknown to the budget is the effect that the COVID-19 pandemic and associated business closings will have on consumer spending and resulting sales tax revenues. This is the second largest source of General Fund revenue, and the amount coming to Belmont is determined by the NC General Assembly and the Gaston County Board of Commissioners. Belmont is an Ad Valorem city, so the amount of sales tax returning to Belmont is based on the City's property tax rate. This budget estimates a 3.5% decrease in local option sales tax revenue compared to the experience of the current fiscal year. We estimate this revenue source bringing in \$2,640,000 next year.

The monthly solid waste fee will remain at \$7 per household and business. This fee of \$7 per month will cover 50% of the cost of providing the service, with the other 50% coming

from property taxes. These services include weekly garbage collection and biweekly recycling and yard waste collection. It also covers quarterly bulk item collection. Waste Pro will continue an option offered for residents to call Waste Pro for an additional bulk item collection at their expense. We believe this will be useful for residents with bulk item collection needs between the regular quarterly pickup.

Chart 1. General Fund Major Revenue Sources



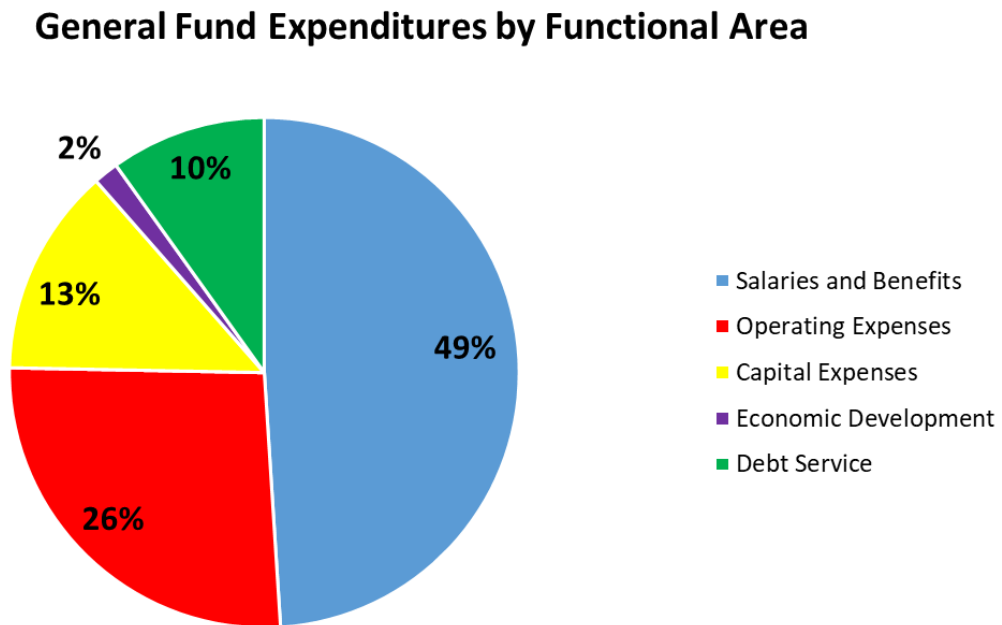
This proposed budget does not provide funding for all of the identified needs, but it does allow the City to fund its most pressing needs and all of its essential public safety needs. For the past several years, the City has been making improvements in our streets, water and sewer infrastructure, and parks. Given the growth of our town and the popularity of Belmont as a place to visit, our facilities need to be upgraded in order to keep Belmont as an attractive place for people to visit and in which to invest.

This budget puts Belmont on a more solid financial foundation than in the past as it is less reliant on revenue sources over which it has no control. Major legislative changes from the NC General Assembly or the Gaston County Board of Commissioners would have less of an impact to our budget than they would have in the past.

EXPENDITURES

NC General Statutes require that municipalities adopt a balanced budget. As is the case with revenues, overall General Fund expenditures are projected to be \$14,647,487, an increase of 3% from the adopted FY 2019-2020 budget amount of \$14,202,231, but a 9% decrease from the estimated year end expenditures in the current fiscal year. Chart 2 below shows the general fund expenditures by functional area.

Chart 2. General Fund Expenditures by Functional Area



Salaries and Benefits

The largest share of our expenditures continues to be found in personnel costs, which represents 49% of the General Fund. This is up slightly from 46% in the current budget and is down from 54% of the General Fund in FY 2017-2018. This percentage is up this year over last year due to the smaller overall budget this year compared to what it would have been under normal circumstances. This budget adds one new full-time position in the finance department for a new deputy finance director. The budget eliminates one vacant public works maintenance position in the street and parks maintenance division.

The proposed budget for FY 2020-2021 includes a 1% cost-of-living salary increase for all employees so that their salaries keep up with inflation. It also continues our emphasis on performance and accountability by offering the possibility of an additional 2% salary increase to employees based on their annual performance evaluations. This total potential salary increase of 3% is less than the total potential of 5% that we have offered in the past several years. Even in a down economy, Belmont needs to remain competitive in order to retain employees and to be an attractive option for candidates seeking employment opportunities with us. Health insurance costs will increase by 5% over this year.

Operational Expenses

While most of the operational line items remain flat or decreased within the General Fund departments, I want to highlight a few significant increases in operations. With a growing population of residents and visitors, Downtown Belmont and the Belmont parks are seeing heavy foot traffic. These areas serve as gathering spaces, recreational spaces, and economic development opportunities, as well as offering a great quality of life for our residents. Table 1 on page 8 provides more details on the amount of money spent on personnel and operational expenses in each department.

Our staff works hard to keep our parks clean and beautiful, but they will have to do this with less funding for parks maintenance in the upcoming year. Funding is reduced from the current amount of \$120,000 to \$90,000 in the proposed budget. Parks maintenance received only \$60,000 in funding in FY 2018-2019, so this funding is still more than it has been historically. Staff will need to be more mindful of the cost of projects and to work more efficiently. Funding for beautification projects, which covers downtown landscaping, is also decreased to its FY 2018-2019 level of \$45,000.

Table 1. Personnel and Operating Costs of the General Fund Departments

Department	Personnel Costs	Operating Costs	Debt Service	Capital Expenses	Economic Development	Fund Balance	Total	% Personnel	% Operating	% of Budget
Mayor & Council	\$ 64,830	\$ 37,405					\$ 102,235	63%	37%	1%
Administration	\$ 352,504	\$ 457,963					\$ 810,467	43%	57%	6%
Attorney	\$ 99,000	\$ 1,457					\$ 100,457	99%	1%	1%
Planning & Main Street	\$ 586,802	\$ 238,560					\$ 825,362	71%	29%	6%
Police	\$ 3,497,753	\$ 544,609					\$ 4,042,362	87%	13%	28%
Fire	\$ 1,556,726	\$ 304,873					\$ 1,861,599	84%	16%	13%
Streets	\$ 690,641	\$ 1,117,689					\$ 1,808,329	38%	62%	12%
Sanitation	\$ -	\$ 948,000					\$ 948,000	0%	100%	6%
Recreation	\$ 326,404	\$ 204,546					\$ 530,950	61%	39%	4%
Capital	\$ -			\$ 1,937,004			\$ 1,937,004	0%	100%	13%
Economic Development	\$ -				\$ 232,000		\$ 232,000	0%	100%	2%
Debt Service	\$ -		\$ 1,448,720				\$ 1,448,720	0%	100%	10%
General Fund	\$ 7,174,661	\$ 3,855,102	\$ 1,448,720	\$ 1,937,004	\$ 232,000	\$ -	\$ 14,647,487	49%	26%	100%

Capital Expenses

In the past two year's budgets, the City Council approached capital investments very intentionally. Funding for capital projects and equipment remains a goal of the budget, and the top priorities of a 5-year Capital Improvements Program are funded. The current budget included \$1.8 million for capital investments, and the proposed budget increases this to \$1.9 million. These capital investments include construction of the long-anticipated Belmont Recreation Center, Abbey Creek Greenway security cameras in parks and public areas, upgrades to Rocky Branch Park, sidewalk maintenance, and replacement vehicles and equipment that our staff needs in order to do their jobs effectively and efficiently.

Economic Development

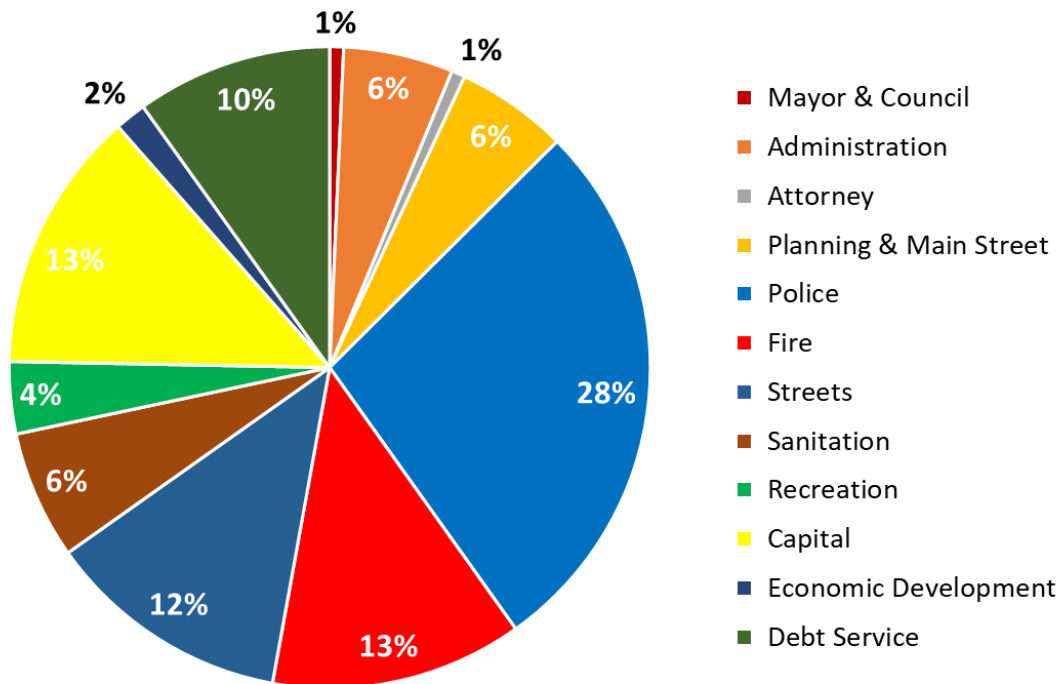
The City has an existing economic development agreement with Parkdale Mills and US Cotton through 2025. This is from a grant agreement that resulted in US Cotton investing heavily in its plant on Parkdale Drive. Funding is also included to continue participating in the Gaston Outside marketing campaign, to support Belmont Trolley's efforts to build a trolley barn and civic space downtown, and to honor commitments to the Chronicle Mill

redevelopment and the River West Business Park. Funding is also included to implement the new branding effort underway that will supplement our traditional city seal.

Debt Service

The General Fund budget complies with the adopted city council policy of spending no more than 12% of the budget on debt service. The current year’s budget spends 9% of the General Fund on debt service. This level increases in the proposed budget to 10% of the General Fund on debt service, which again is based on the smaller than expected overall budget in the new year. The City has been paying down debt and has refinanced its loans so that most loans have interest rates under 2.5%.

Chart 3. Percentage of General Fund Spent on Departments for FY 2020-2021



General Fund Summary

While the information noted above addresses the overall status of the General Fund with regards to revenue and expenditure totals, Table 3 on page 8 shows the proposed personnel and operating costs of the various departments and items included in the General Fund. Chart 3 above shows the percentage of the General Fund spent on the various departments and functional items housed within the General Fund.

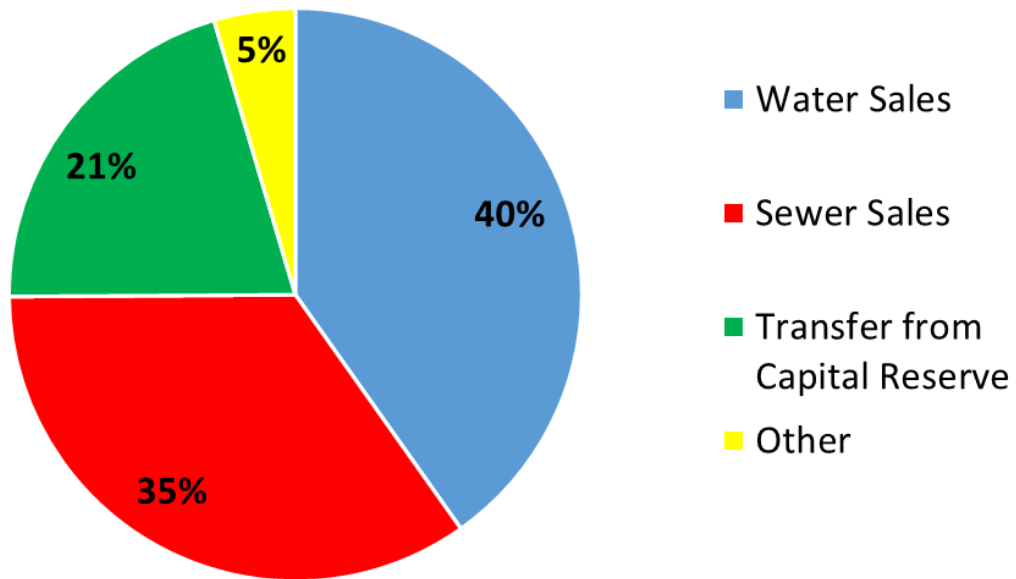
WATER AND SEWER FUND

REVENUES

Overall revenues in this fund for FY 2020-2021 are projected to total \$9,754,009, a decrease of 9% from the adopted FY 2018-2019 budget of \$10,767,254. The primary cause for the decrease in Water and Sewer Fund revenue is a reduction in funding for capital projects paid for by pulling money from capital reserve. In the current year, the budget calls for pulling \$3.3 million from capital reserves. In the proposed budget, this is reduced to \$2 million. There is no change to the water and sewer rates for the upcoming fiscal year. The current rate structure covers the operations of the departments within the Water and Sewer Fund.

Chart 3 below shows the major sources of revenue in the Water and Sewer Fund. Within this Fund, we are projecting increases of approximately 7% in Water Sales (\$3.7 million) and 5% in Sewer Charges (\$3.2 million) in comparison to the originally adopted FY 2018-2019 revenues. This revenue increase is results from our projected growth in customer base and usage, based on our experience over the past several years.

Chart 3. Water and Sewer Fund Revenue Sources



The \$2 million in Transfer from Capital Reserve is funding taken from the Water and Sewer Fund's savings account to pay for capital improvements to our utility system. This is what the Capital Reserve is for. This funding will be available to pay for these capital improvements but may not be fully needed if the full list of projects is not completed within the fiscal year. Any funding not needed will remain in the Utility Fund capital reserve.

EXPENDITURES

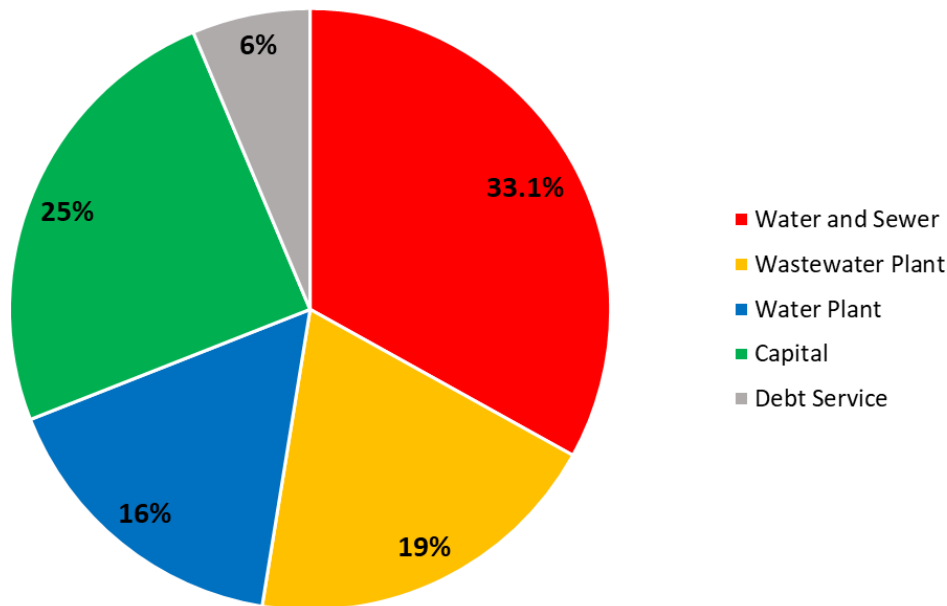
Overall expenditures are also budgeted at \$9,754,009, a decrease of 9% as compared to the adopted FY 2019-2020 budget. The personnel and operating expenses in this fund are consistent with our recent experience in water and sewer sales and the cost of providing these services to our utility customers. While funding for capital projects to update our water and sewer infrastructure is 36% less than in the current year, it is still 44% more than the City budgeted for capital investments in FY 2018-2019. The city council has asked staff to invest in our water and sewer infrastructure, and we have been doing this.

While the information noted above addresses the overall status of the Water and Sewer Fund revenue and expenditure totals, Table 4 below shows the breakdown of personnel and operating costs in each department and component of the Water and Sewer Fund.

Table 4. Personnel and Operating Costs of the Water and Sewer Fund Departments

Department	Personnel Costs	Operating Costs	Debt Service	Capital Expenses	Total	% Personnel	% Operating	% of Budget
Water and Sewer	\$ 2,245,853	\$ 979,229			\$ 3,225,082	70%	30%	33.1%
Wastewater Plant	\$ 812,906	\$ 1,088,293			\$ 1,901,199	43%	57%	19%
Water Plant	\$ 988,266	\$ 619,440			\$ 1,607,706	61%	39%	16%
Capital				\$ 2,400,000	\$ 2,400,000	0%	100%	25%
Debt Service			\$ 620,022		\$ 620,022	0%	100%	6%
Water and Sewer Fund	\$ 4,047,025	\$ 2,686,962	\$ 620,022	\$ 2,400,000	\$ 9,754,009	41%	28%	100%

Chart 4. Water and Sewer Fund Departmental Budgets FY 2020-2021



STORMWATER FUND

REVENUES

Overall revenues in this fund are projected to total \$802,398, which is 2% higher than the adopted FY2019-2020 budget. This increase is due to the projected increase in the number of residential and nonresidential stormwater utility customers paying the monthly stormwater fee of \$5 per residence per month. The rates for non-residential properties determined by the amount of impervious surface on each respective site.

EXPENDITURES

While this budget addresses the operating needs of the stormwater department, it also provides funding to address capital needs and projects within the Stormwater Fund. In addition to routine maintenance, the top six capital projects in the stormwater CIP are funded over the next five years.

TOURISM FUND

The budget for the Belmont Tourism Development Authority is decreased from \$105,000 in the current fiscal year to \$70,000 in the upcoming fiscal year, which reflects the recent decrease in hotel occupancy due to COVID-19. The revenues for this fund are generated by a 3% room occupancy tax. Expenditure decisions are made by the designated Tourism Development Authority and must be for either promotional or tourism-related activities.

SUMMARY OF FY 2020-2021 RECOMMENDED BUDGET

A city budget reflects the values of its city. It implements the vision for what kind of city the governing board wants. This combined budget proposal meets many of the needs of a growing town and addresses the City Council's priorities. It allows the City to address several of the top capital projects identified by the staff, advisory boards, and City Council. However, the budget takes a very cautious and conservative approach to projected revenues and expenditures due to the unknown impact of the COVID-19 pandemic on the economy. This proposed budget continues to implement the five-year vision and budget plan that the City Council created in 2018, reaffirmed in 2019, and expanded on earlier this year.

The budget also provides a salary increase for our employees that keeps pace with inflation and rewards job performance, which will help us retain and recruit professional staff. It also funds needed staff positions, vehicles, and equipment that allow staff to do their jobs more safely and efficiently. The recommended budget will be formally presented at a required public hearing to be held at your regular meeting of June 1, 2020, after which it can be considered for adoption. After adoption, the city budget becomes effective on July 1, 2020. A copy of this proposed budget is available at www.CityofBelmont.org.