



CITY OF BELMONT



MANY THREADS, ONE COMMUNITY



CITY MANAGER'S RECOMMENDED BUDGET FISCAL YEAR 2021-2022

BELMONT CITY COUNCIL

Charles R. Martin, Mayor
Jim Hefferan, Mayor Pro Tem
Ryan Schrift
Marc Seelinger
Martha Stowe
Richard Turner

VISION STATEMENT

Belmont will be a vibrant, multi-generational community that incorporates small-town charm and heritage with an entrepreneurial spirit.

MISSION STATEMENT

City of Belmont provides visionary leadership and high-quality city services to create a community of choice for our residents, visitors, and employees.



MEMORANDUM

To: Mayor Martin and City Council

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

Re: FY 2021-2022 Budget Message

Date: May 13, 2021

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 2021-2022. 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 2021-2022 budget as proposed, including General Fund, Water & Sewer Fund, Stormwater Fund, Capital Reserve Utility Fund, and Tourism Development Fund, totals \$26,316,295, which is 2% more than the total FY 2020-2021 adopted budget of \$25,736,389. The proposed budget funds the City Council's priorities and furthers the City's goals without increasing taxes or water and sewer rates.

The proposed budget shows a small increase from the current adopted budget, showing our community's continued recovery from the economic conditions brought about by the COVID-19 pandemic. The proposed FY 21-22 General Fund budget is 10.8% more than the adopted FY 20-21 General Fund, although the adopted FY20-21 General Fund was very conservative due to the unknown impacts of COVID-19 in the spring of 2020.

Due to uncertainty of the economic impact of COVID-19 on our community and our city budget, the FY 20-21 General Fund budget was conservative. Fortunately for our community and our city finances, Belmont quickly recovered from the worst of the COVID-19 economic crisis. Our residents and visitors spent money in our community, resulting in greater than expected sales tax revenue. The regional housing market continued its recent growth, and the private sector investment in our community brought in more property tax revenue than expected.

The proposed FY 21-22 Utility Fund budget is 6% less than the adopted FY 20-21 Utility Fund budget, due to less money budgeted from the capital reserve to pay for capital improvements to the water and sewer system. The amount of capital reserve budgeted for capital improvements has declined from \$3 million in FY 19-20 to \$2 million in FY 20-21 and then to \$1 million in FY 21-22. This reflects the City's capacity to complete capital improvement projects and its ability to use current year funding for them.

The proposed FY 21-22 Stormwater Fund budget is 5% more than the adopted FY 20-21 Stormwater Fund budget due to natural growth in the number of residential and nonresidential stormwater accounts.

The proposed FY 21-22 Tourism Development Fund is 7% more than the adopted FY 20-21 Tourism Development Fund due to a gradual return of business travel, but it is still 28% lower than it was during FY 19-20.

This proposed budget was completed with the input from city staff, citizen advisory boards, and the City Council. The City Council held an overall planning retreat in January to set goals and priorities as well as 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 the City Council's annual planning retreat in January, the strategic goals for the five-year period between 2020 and 2025 were updated to the following items:

- **TRANSPORTATION AND MOBILITY**
 - Continue work to develop the Abbey Creek Greenway
 - Continue working with CATS on the Silver Line light rail
- **INFRASTRUCTURE**
 - Develop a \$1.25 million paving and sidewalk project
 - Promote the Belmont-Mount Holly Connector (South Fork Parkway)
- **GROWTH MANAGEMENT/BALANCED GROWTH**
 - Create Transit Oriented Development standards for the Wilkinson Boulevard corridor
 - Create the North Belmont Public Safety Station
- **PARKS AND RECREATION**
 - Splash Pad at Kevin Loftin Riverfront Park
 - Rocky Branch Park enhancements
 - Skateboard Park

This proposed budget for Fiscal Year 2021-2022 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 continue designing the Abbey Creek Greenway, and to increase funding for sidewalk repairs; to invest in existing parks and to begin 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, planning and zoning, parks and recreation, and capital investments in our community. The proposed General Fund budget for FY 2021-2022 totals \$16,236,052, an increase of 11% from the originally adopted FY 2020-2021 budget of \$14,647,487.

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.

Within the General Fund, we are projecting an increase in Ad Valorem revenue collection of 11% over the current fiscal year's adopted budget amount. This increase is based on the new development during the previous year, which has resulted in an increase in the City's tax base. According to the Gaston County Tax Office, the total value of all taxable properties within Belmont is \$1,745,998,963 as of January 1, 2021. The proposed budget estimates continued growth in the property tax base as previously approved development projects continue to build out. This proposed budget keeps the property tax rate steady at \$0.515 per \$100 of taxable property valuation. Chart 1 on page 8 shows the breakdown of various sources of general fund revenue.

During the budget workshops the city council discussed reducing the property tax rate from \$0.515 per \$100 of taxable property valuation to \$0.50 per \$100 of taxable property valuation. Making this change to the tax rate would reduce ad valorem tax revenue by \$283,800. Based on discussions with the Local Government Commission, the City will not be able to finance the recreation center for a term longer than 20 years, so the debt service payments will be higher than originally anticipated, as we planned to finance the project for 25 years. The current tax rate allows this project to continue as planned in addition to the other projects that the City Council would like to complete.

Local option sales tax is the City's second largest source of General Fund revenue, and it is totally dependent on external factors. The health of the economy and state and county policy determine how much sales tax the City of Belmont receives. Sales tax revenue has grown significantly in recent years as our local economy has strengthened and as online sales as well as some services have become taxable. Local spending increased during the COVID-19 pandemic, resulting in much greater sales tax revenue during FY 20-21 than projected. This trend is anticipated to continue during FY 21-22.

The State allows counties to choose how to allocate sales tax revenue to the municipalities within their boundaries, either by population or by ad valorem tax rates.

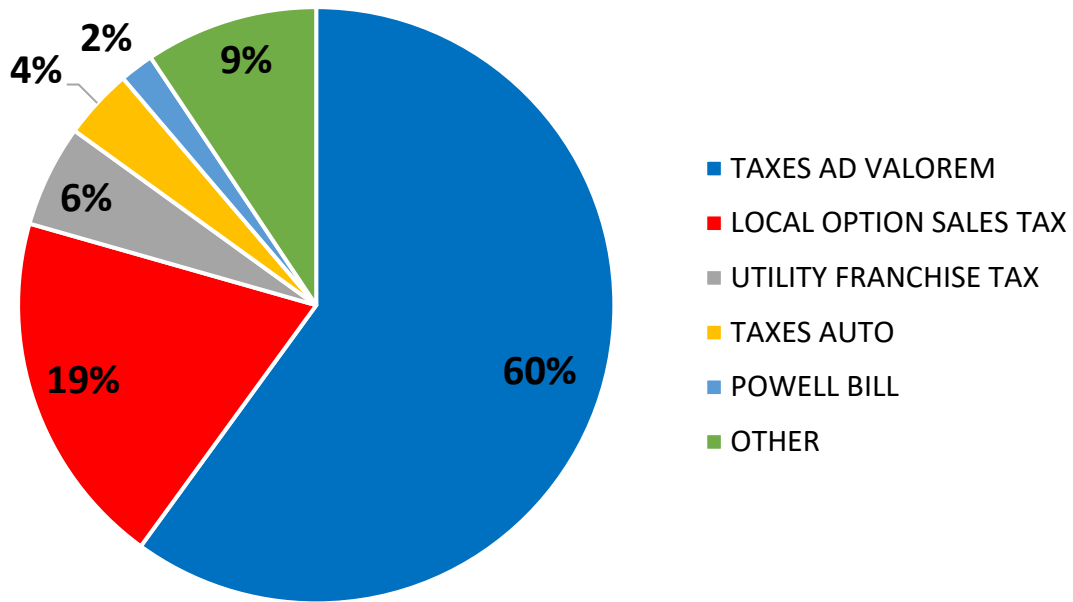
Gaston County is an ad valorem county, so the amount of sales tax returning to Belmont is based on the City's ad valorem tax rate. The proportion of sales tax coming back to Belmont has increased slightly in recent years as other jurisdictions within Gaston County have lowered their ad valorem tax rates. If the City Council were to reduce the City's ad valorem tax rate, the City would receive a reduced percent of the sales tax going to the municipalities than it current receives, due to the fact that sales tax allocation is tied to the ad valorem rate.

This budget estimates a 19% increase in projected local option sales tax revenue compared to the adopted projected of the current fiscal year. However, the projected amount of sales tax revenue in the proposed FY 21-22 budget of \$3.15 million is in line with the experience of the current fiscal year. Given the lack of control that the City of Belmont exercises over this revenue source, I am hesitant to project a higher amount.

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. The revenue source was coupled with a portion of the Powell Bill funding from the state fuel tax to pay the debt service on the \$1 million comprehensive paving program completed in 2016. The debt on the 2016 paving project will be retired in May 2021, and the City Council has directed staff to use the same funding plan for a new \$1.25 million street and sidewalk improvement project during the upcoming fiscal year.

The monthly solid waste fee will remain at \$7 per household and business. This fee of \$7 per month will cover 36% of the cost of providing the service, with the other 64% 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. As approved in a new contract, Waste Pro will continue its garbage, recycling, and bulk item collection, but the City of Belmont will provide yard debris and leaf collection.

CHART 1. GENERAL FUND MAJOR REVENUE SOURCES



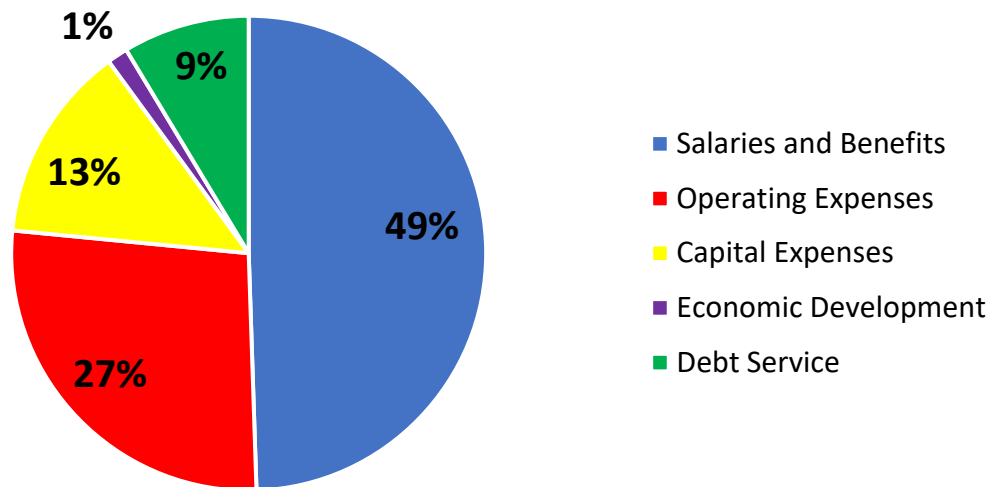
This proposed budget does not provide funding for all the identified needs, but it does allow the City to fund the services that our residents, businesses, and visitors demand. For the past several years, the City has been making improvements in our streets, water and sewer infrastructure, and parks. Given the growth of our town and the popularity of Belmont as a place to visit, our facilities need to continue being upgraded to keep Belmont as an attractive place for people to visit and in which to invest. This proposed budget provides funding to continue the City Council’s focus on these needed capital investments, as discussed during the planning retreat, budget workshops, and capital improvements program workshop.

This budget keeps the City of Belmont on a solid financial foundation, 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 \$16,236,052, an increase of 11% from the adopted FY 2020-2021 budget amount of \$14,647,487. While this is a large percentage increase, the FY 2020-2021 budget was reduced to an amount lower than it would have been were it not for the COVID-19 economic crisis. 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 the same percentage from the current budget and is down from 54% of the General Fund in FY 2017-2018. The city council has asked that salaries and benefits remain at or below 50% of the General Fund total. This budget adds one new full-time position in the planning and zoning department for a new senior planner to assist the department with increasingly more complex development projects as well as transportation and mobility projects.

The proposed budget for FY 2021-2022 includes the implementation of a salary study. The City Council authorized a salary study in 2017 and asked that it be updated every 3 or 4 years so that the cost of implementation would be lower than if the City waited longer. The proposed budget moves many of the staff to the new minimum salary for their position's grade if they are currently under the minimum of the new salary grade. For those staff already at or above the minimum of their new salary grade, they would receive a 2% cost-of-living salary increase. The proposed budget also continues our emphasis on

performance and accountability by offering the possibility of an additional 3% salary increase to all employees based on their annual performance evaluations. 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 decrease by 3% over the current fiscal year due to our experience over that time.

OPERATIONAL EXPENSES

Table 1 below provides more details on the amount of money spent on personnel and operational expenses in each department. The city staff has worked hard to be more efficient and to reduce operational costs. Operational costs make up 27% of the proposed budget, down from 33% of the budget five years ago. While most of the operational line items remain flat 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 continue to see 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. Our staff works hard to keep our parks clean and beautiful, and they will have a bit more funding for parks maintenance in the upcoming year. Funding is increased from \$90,000 to \$100,000 in the proposed budget (as a point of reference, parks maintenance received only \$60,000 in funding in FY 2018-2019). Funding for beautification projects, which covers downtown landscaping, is increased by \$5,000 in the proposed budget to \$50,000.

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	\$ 81,127	\$ 37,405					\$ 118,532	68%	32%	1%
Administration	\$ 402,926	\$ 521,328					\$ 924,254	44%	56%	6%
Attorney	\$ 99,000	\$ 1,457					\$ 100,457	99%	1%	1%
Main Street Planning & Zoning	\$ 156,617	\$ 105,644					\$ 262,261	60%	40%	2%
Police	\$ 595,820	\$ 132,916					\$ 728,736	82%	18%	4%
Fire	\$ 3,681,250	\$ 544,609					\$ 4,225,859	87%	13%	26%
Streets	\$ 1,694,505	\$ 304,873					\$ 1,999,378	85%	15%	12%
Sanitation	\$ 969,485	\$ 1,156,439					\$ 2,125,924	46%	54%	13%
Recreation	\$ -	\$ 1,383,823					\$ 1,383,823	0%	100%	9%
Capital	\$ 352,184	\$ 204,545					\$ 556,729	63%	37%	3%
Economic Development	\$ -			\$ 2,181,235			\$ 2,181,235	0%	100%	13%
Debt Service	\$ -		\$ 1,400,029		\$ 228,835		\$ 1,628,864	0%	100%	1%
General Fund	\$ 8,032,914	\$ 4,393,039	\$ 1,400,029	\$ 2,181,235	\$ 228,835	\$ -	\$ 16,236,052	49%	27%	100%

CAPITAL EXPENSES

With the implementation of the City's five-year rolling budget, the City Council approached capital investments very intentionally. Funding for capital projects and equipment remains a goal of the proposed budget, and the top priorities of a 5-year

Capital Improvements Program are funded. The proposed budget includes \$2.18 million for capital investments in the General Fund, an increase of \$300,000 over the current year's approved budget.

A growing city must continue investing in its infrastructure and amenities to continue providing a great quality of life for its residents, businesses, and visitors. This proposed budget does that by investing in maintenance of existing facilities as well as the following new and improved facilities. These capital projects come from the capital improvements plan that the city council, staff, public, and advisory boards have created.

These capital investments include, but are not limited to:

- Construction of the Belmont Recreation Center,
- Improvements to Davis Park, Rocky Branch, and Stowe Park,
- Security cameras in parks and public areas,
- Splash Pad at Kevin Loftin Riverfront Park,
- Pedestrian improvements at the intersection on Park Street and East Catawba Street,
- Street paving and sidewalk improvements,
- North Belmont Public Safety Station, and
- Replacement vehicles and equipment that our staff needs to do their jobs effectively and efficiently.

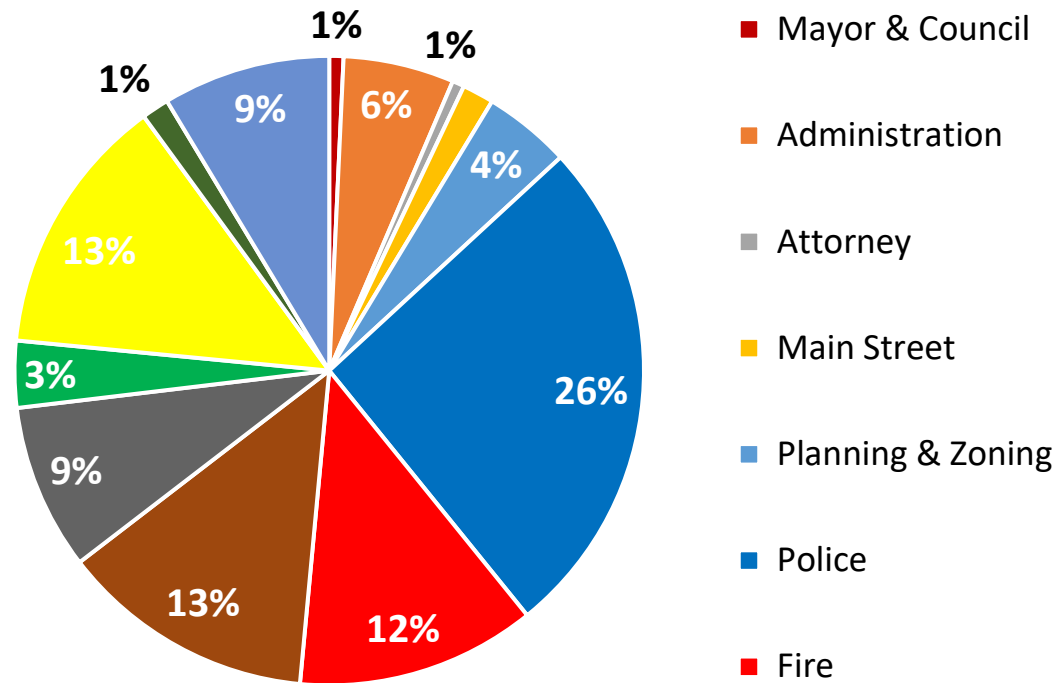
ECONOMIC DEVELOPMENT

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 Woodlawn Industrial Park. Funding is also included to continue implementing the new branding that will supplement our traditional city logo.

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 proposed budget spends 9% of the General Fund on debt service. The debt service budget includes the current debt service obligations as well as new debt service for the recreation center and the \$1.25 million for the street and sidewalk improvement project. Even with the new debt in the upcoming year, the percent of the budget for debt service is down from the 10% of the current year's budget servicing our debt.

CHART 3. PERCENTAGE OF GENERAL FUND SPENT ON DEPARTMENT FOR FY 2021-2022



GENERAL FUND SUMMARY

While the information noted above addresses the overall status of the General Fund with regards to revenue and expenditure totals, Table 1 on page 12 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

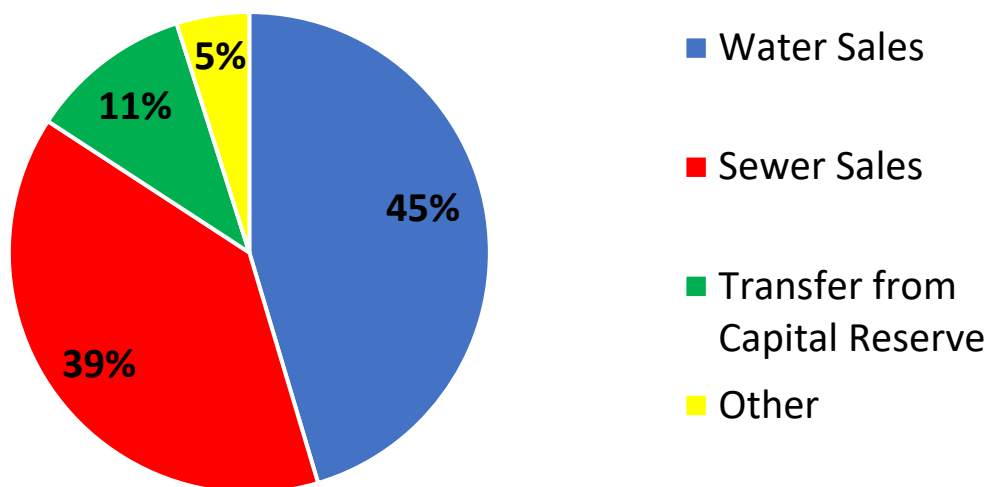
REVENUES

Overall revenues in this fund for FY 2021-2022 are projected to total \$9,162,725, a decrease of 6% from the adopted FY 2020-2021 budget of \$9,754,009. The primary cause for the decrease in Water and Sewer Fund revenue is a reduction in funding for capital projects paid for by transferring money from capital reserve. In the current year, the budget calls for transferring \$2 million from capital reserve. In the proposed budget, this is reduced to \$1 million. There is no change to the water and sewer rates for the upcoming fiscal year. The current rate structure covers the personnel and operations of the departments within the Water and Sewer Fund.

Not included in this proposed budget is funding from the American Rescue Plan, which is federal funding that can be spent on water and sewer projects. At the time of this budget message, the actual amount of funding for Belmont is still unknown, although it should be around \$1.85 million in 2021 and another \$1.85 million in 2022. This funding can be spent on our utility system infrastructure.

Chart 4 below shows the major sources of revenue in the Water and Sewer Fund. Within this Fund, we are projecting increases of approximately 6% in Water Sales (\$4.1 million) and 5% in Sewer Charges (\$3.5 million) in comparison to the originally adopted FY 2020-2021 revenues. This revenue increase results from our projected growth in customer base and usage, based on our experience over the past several years.

CHART 4. WATER AND SEWER FUND REVENUE SOURCES



The \$1 million in Transfer from Capital Reserve shown in Chart 4 above 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 \$9,162,725, a decrease of 6% as compared to the adopted FY 2020-2021 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. Chart 5 on page 17 provides the breakdown of expenditures in the various water and sewer departments. These percentages are essentially the same as they are in the current year’s budget.

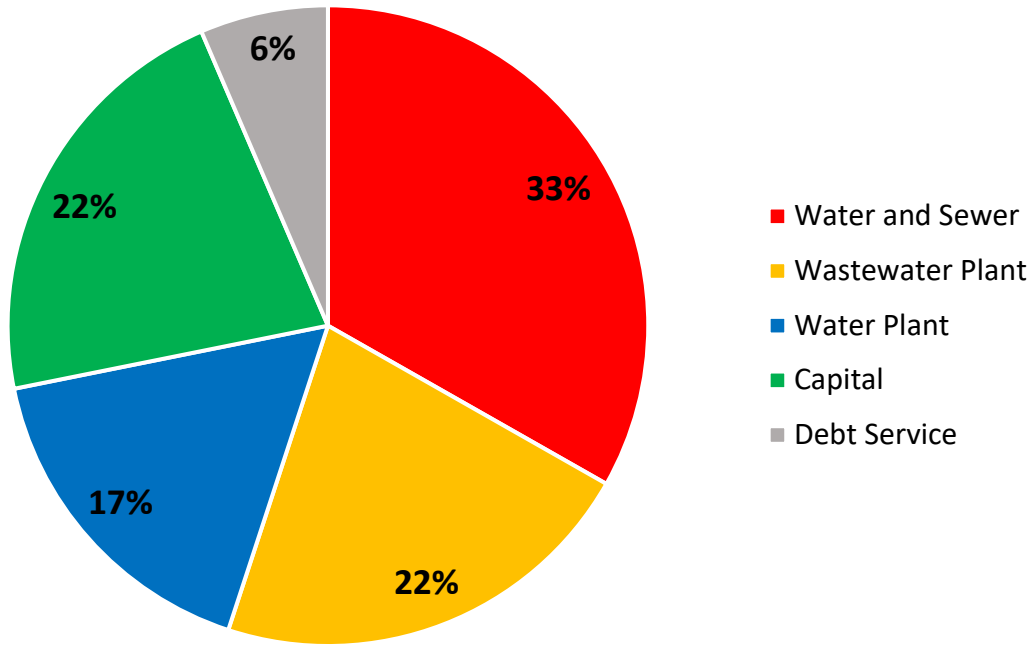
The proposed budget includes \$1.98 million in capital funding for water and sewer infrastructure improvements. As additional guidance from the US Treasury Department comes in, the manager will ask the City Council to include funding from the American Rescue Plan for additional capital investments in our utility infrastructure. 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 2 below shows the breakdown of personnel and operating costs in each department and component of the Water and Sewer Fund.

TABLE 2. 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	\$ 798,404				\$ 3,044,257	74%	26%	33.2%
Wastewater Plant	\$ 812,906	\$ 1,185,784				\$ 1,998,690	41%	59%	22%
Water Plant	\$ 988,266	\$ 551,388				\$ 1,539,654	64%	36%	17%
Capital				\$ 1,987,625		\$ 1,987,625	0%	100%	22%
Debt Service			\$ 592,499			\$ 592,499	0%	100%	6%
Water and Sewer Fund	\$ 4,047,025	\$ 2,535,576	\$ 592,499	\$ 1,987,625		\$ 9,162,725	44%	28%	100%

CHART 5. WATER AND SEWER FUND DEPARTMENTAL EXPENDITURES FY 2021-2022



STORMWATER FUND

REVENUES

Overall revenues in this fund are projected to total \$848,518, which is 5% higher than the adopted FY2020-2021 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 four capital projects in the stormwater CIP are funded in this proposed budget.

TOURISM FUND

The budget for the Belmont Tourism Development Authority (BTDA) is increased slightly to \$75,000 in the proposed budget from \$70,000 in the current fiscal year, which reflects the slow recovery 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. The budgeted amount comes from the BTDA.

SUMMARY OF FY21-22 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. The proposed budget is a testament to the resiliency of our community, as it continues to recover from the COVID-19 health and economic crises. This proposed budget continues to implement the five-year vision and budget plan that the City Council created in 2018.

The budget also provides a salary increase for our employees that keeps pace with the local labor market and inflation and that rewards job performance. This will help us retain and recruit professional staff. It also funds needed 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 the regular meeting of June 7, 2021, after which it can be considered for adoption. After adoption the city budget becomes effective on July 1, 2021. A copy of this proposed budget is available at www.CityofBelmont.org.