



CITY OF BELMONT



MANY THREADS, ONE COMMUNITY



CITY MANAGER'S RECOMMENDED BUDGET FISCAL YEAR 2022-2023

BELMONT CITY COUNCIL

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

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 2022-2023 Budget Message

Date: May 16, 2022

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's balanced budget for Fiscal Year 2022-2023. 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 2022-2023 budget as proposed, including General Fund, Water and Sewer Fund, Stormwater Fund, Capital Reserve Utility Fund, and Tourism Development Fund, totals \$29,504,953 which is 13% more than the total FY 2021-2022 adopted budget of \$26,230,317. The proposed balanced 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 13% increase from the current fiscal year's adopted budget, reflecting the continued strength of local option sales tax revenue in the General Fund. The proposed budget also includes \$1 million in American Rescue Plan Act (ARPA) funding in both the General Fund and the Water and Sewer Fund. The increase in sales tax revenue and the ARPA funding account for \$3.2 million of the \$3.47 million of the difference in funding levels between the current year's budget and the proposed budget for FY 2022-2023. If the \$2 million in ARPA funding was not included in the budget, then the overall increase in the proposed budget is only 4.8% more than the adopted budget for FY 2021-2022.

The proposed FY 2022-2023 General Fund budget is 16% more than the adopted FY 2021-2022 General Fund budget, and this increase is almost entirely due to the higher estimate

of local option sales tax revenue to be collected in the new fiscal year as well as the \$1 million in APRA funding to be used for capital projects in the General Fund.

The proposed FY 2022-2023 Water and Sewer Fund budget is 6% more than the adopted FY 2021-2022 Utility Fund budget, due to the \$1 million in APRA funding budgeted to pay for infrastructure improvements to the water and sewer system.

The proposed FY 2022-2023 Stormwater Fund budget is 9% less than the adopted FY 2021-2022 Stormwater Fund budget due to the projected revenue collected in the current fiscal year being less than anticipated. This lower revenue estimate is based on the projections made by the City's financial software.

The proposed FY 2022-2023 Tourism Development Fund is 173% more than the adopted FY 2021-2022 Tourism Development Fund due to the return of business travel and the Hilton Home2Suites hotel being open for the entire year. The current budget for this fund was projected lower than the actual performance due to uncertainty about travel during the COVID-19 pandemic when the FY 2021-2022 budget was being developed. The Tourism Development Fund exceeded its revenue target for FY 2021-2022 within the first half of the fiscal year.

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.

The city manager's proposed balanced budget for FY 2022-2023 implements the city council's goals without raising taxes or water and sewer rates. It invests in the city staff, the City's most important resource; it improves service delivery to our residents and utility customers; it invests in critical infrastructure, parks, and city facilities; and it meets the City's financial obligations.

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**
 - Develop a multi-modal transportation network that improves access, reduces congestion, and offers different mobility choices.
 - Funding is included for pedestrian and bicycle safety at key intersections, for the Abbey Creek Greenway and the Belmont Rail Trail, and for sidewalk repairs and extensions.
- **INFRASTRUCTURE**
 - Invest and maintain infrastructure to support continuing growth.
 - Funding is included for water and sewer, stormwater, and street improvements to provide better service to existing residents and utility customers and to respond to a growing city.
- **GROWTH MANAGEMENT/BALANCED GROWTH**
 - Manage growth to support economic and community development in line with the City's vision.
 - Funding is included to update the City's Comprehensive Land Use Plan and to market Belmont as a top place to live and work in our region.
- **PARKS AND RECREATION**
 - Provide programs and facilities that engage and support multiple generations.
 - Funding is included to complete the CityRec Center, which will provide spaces for programs to serve Belmont residents of all ages, as well as to enhance existing parks so that residents and families can continue to enjoy them.

This proposed budget for Fiscal Year 2022-2023 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 complete construction of the 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.

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 2022-2023 totals \$18,953,375, an increase of 16% from the originally adopted FY 2021-2022 budget of \$16,236,052. This large increase is almost entirely accounted for by the increased amount of local option sales tax revenue the City receives and \$1 million in federal funding (American Rescue Plan Act).

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.

The General Fund includes the same amount of Ad Valorem revenue collection as the current fiscal year's adopted budget amount. This flat estimate is based on a 1.3% growth in the City's tax base from last year. According to the Gaston County Tax Office, the total value of all taxable properties within Belmont is \$1,856,971,882 as of January 1, 2022. **This proposed budget keeps the property tax rate steady at \$0.515 per \$100 of taxable property valuation.** Chart 1 on page 7 shows the breakdown of various sources of general fund revenue.

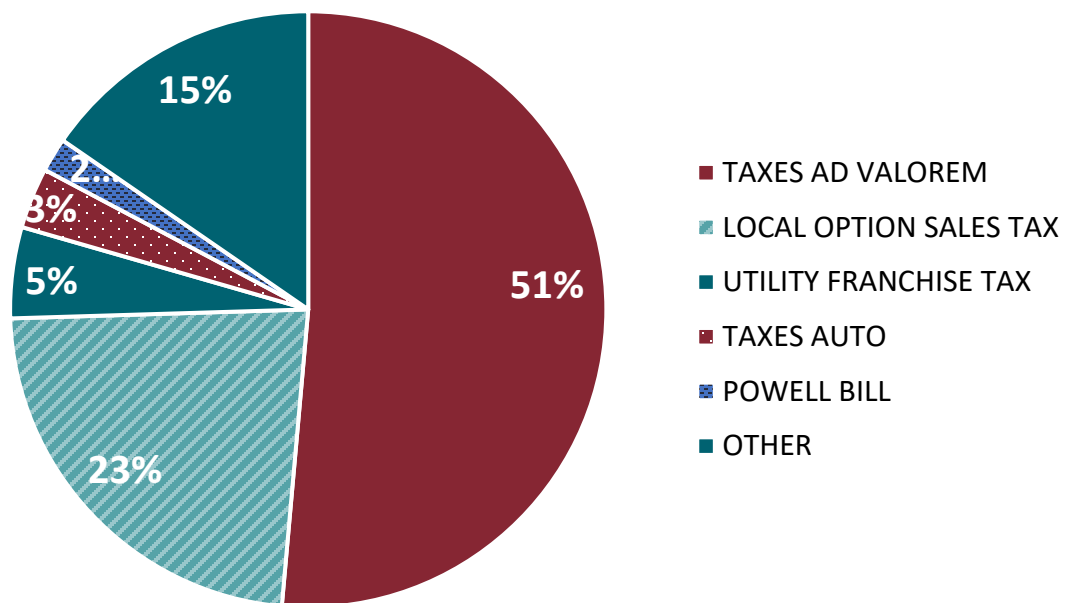
Local option sales tax is the City's second largest source of General Fund revenue, and it is totally dependent on external factors. The health of the economy and state and county policy determine how much sales tax the City of Belmont receives. Sales tax revenue has grown significantly in recent years as our local economy has strengthened and as online sales as well as some services have become taxable. Local spending has continued to increase since the COVID-19 pandemic, resulting in much greater sales tax revenue during FY 2021-2022 than projected. This trend is anticipated to continue during FY 2022-2023.

The recommended budget estimates a 39% increase in projected local option sales tax revenue compared to the amount projected for the current fiscal year. The projected amount of sales tax revenue in the proposed FY 2022-2023 budget of \$4.37 million is in line with the experience of the current fiscal year. The adopted budget for FY 2021-2022 estimated collecting \$3.15 million in local option sales tax revenue, and as of the February sales tax collection report, the City is on track to collect \$4.4 million in sales tax 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. The revenue source is coupled with a portion of the Powell Bill funding from the state fuel tax to pay the debt service on the \$1.1 million comprehensive paving program completed in 2021.

The monthly solid waste fee will remain at \$7 per household and business. This fee of \$7 per month will cover 53% of the cost of providing the service, with the other 47% coming from property taxes. These services include weekly garbage collection and biweekly recycling and yard waste collection, the quarterly bulk item collection, and the City-provided leaf collection and yard waste collection programs. Waste Pro will continue an option offered for residents to call Waste Pro for an additional bulk item collection at the resident's expense.

CHART 1. GENERAL FUND MAJOR REVENUE SOURCES



This proposed budget does not provide funding for all the City's identified needs, but it does allow the City to fund the services that our residents, businesses, and visitors demand. It includes new staff positions that keep pace with a growing community, and it provides funding for staff salaries so that our team is made whole with the increased cost of living brought about by the high rate of inflation experienced this year.

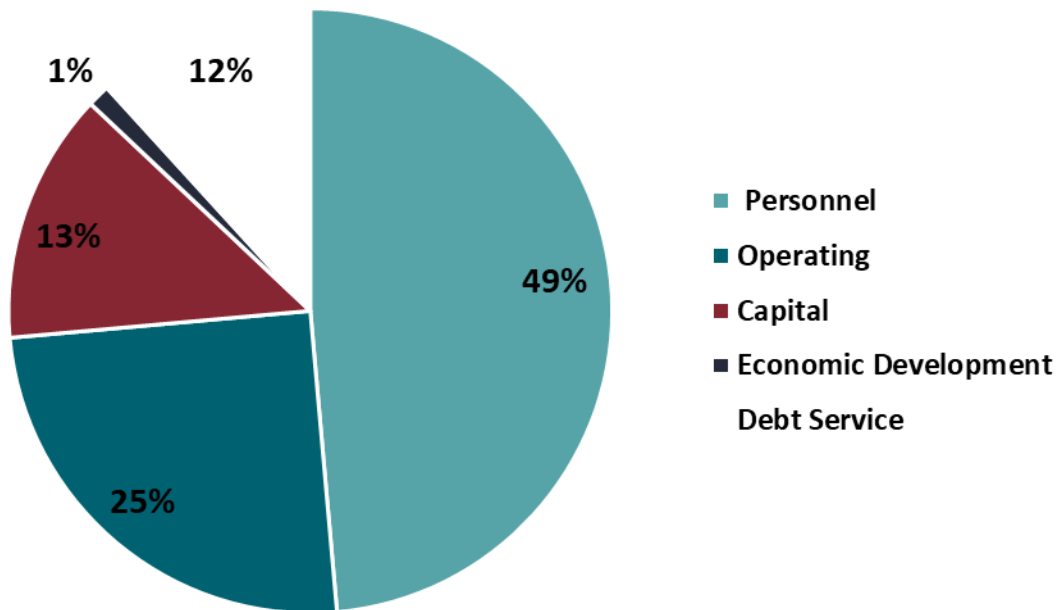
For the past several years, the City has been making improvements in our streets, water and sewer infrastructure, and parks. Given the growth of our town and the popularity of Belmont as a place to visit, our facilities need to continue being upgraded to keep Belmont as an attractive place for people 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 workshops.

EXPENDITURES

NC General Statutes require that municipalities adopt a balanced budget. As is the case with revenues, overall General Fund expenditures for FY 2022-2023 total \$18,953,375, an increase of 16% from the originally adopted FY 2021-2022 budget of \$16,236,052. The reason for the large increase in the General Fund is due to increased revenue from local option sales tax as well as federal funding from the American Rescue Plan Act. This additional revenue allows the City to provide high-quality services to its residents and visitors, invest in its staff, and invest in its capital assets and infrastructure. 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 represent 49% of the General Fund. Personnel costs are the most expensive part of a municipal budget, and the percentage of the General Fund going to personnel costs has held steady for the past five years. During the budget discussions in 2021, the city council asked that salaries and benefits remain at or below 50% of the General Fund total. This budget adds new full-time positions to keep up with the growing demands for service delivery, provides salary increases for city staff, all while maintaining the city council's

benchmark of keeping personnel costs at no more than 50% of the General Fund budget.

The proposed budget for FY 2022-2023 includes a larger than normal cost of living adjustment (COLA) compared to recent years due to the unusually high rate of inflation we have experienced this year. The city manager recommends an across-the-board COLA of 7.9%, which was the Bureau of Labor Statistics consumer price index inflation (CPI) rate for February 2022. This figure was the latest one available when the draft budget was created, although the CPI rate increased to 8.5% in March 2022.

OPERATIONAL EXPENSES

Table 2 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 25% of the proposed budget, down from 33% of the budget seven years ago.

TABLE 2. PERSONNEL AND OPERATING COSTS OF THE GENERAL FUND DEPARTMENTS

Department	Personnel Costs	Operating Costs	Debt Service	Capital Expenses	Economic Development	Total	% Personnel	% Operating	% Capital	% Economic Development	% Debt Service	% of Budget
Mayor & Council	\$ 76,736	\$ 36,945				\$ 113,681	68%	32%	0%	0%	0%	1%
Administration	\$ 541,074	\$ 624,071				\$ 1,165,145	46%	54%	0%	0%	0%	6%
Attorney	\$ 99,000	\$ 1,457				\$ 100,457	99%	1%	0%	0%	0%	1%
Planning & Zoning	\$ 627,680	\$ 163,367				\$ 791,047	79%	21%	0%	0%	0%	4%
Police	\$ 4,029,735	\$ 747,533		\$ 85,000		\$ 4,862,268	83%	15%	0%	0%	0%	26%
Fire	\$ 2,016,552	\$ 355,886		\$ 46,497		\$ 2,418,935	83%	15%	0%	0%	0%	13%
Streets	\$ 1,117,101	\$ 1,194,410		\$ 9,500		\$ 2,321,012	48%	51%	0%	0%	0%	12%
Sanitation	\$ -	\$ 1,201,204				\$ 1,201,204	0%	100%	0%	0%	0%	6%
Recreation	\$ 435,650	\$ 251,903				\$ 687,553	63%	37%	0%	0%	0%	4%
Community Development	\$ 266,157	\$ 160,075		\$ 27,500		\$ 453,732	59%	35%	0%	0%	0%	2%
Capital	\$ -			\$ 2,377,055		\$ 2,377,055	0%	0%	100%	0%	0%	13%
Economic Development	\$ -				\$ 228,000	\$ 228,000	0%	0%	0%	100%	0%	1%
Debt Service	\$ -		\$ 2,233,287			\$ 2,233,287	0%	0%	0%	0%	100%	12%
General Fund	\$ 9,209,684	\$ 4,736,851	\$ 2,233,287	\$ 2,545,552	\$ 228,000	\$ 18,953,375	49%	25%	13%	1%	12%	100%

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 12% 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 \$1.1 million for the 2021 street resurfacing project. The percentage of the General Fund budget going to debt service will decrease in the coming years as existing debt is retired.

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 support for 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 branding adopted in 2020 that will supplement our traditional city logo.

CAPITAL EXPENSES

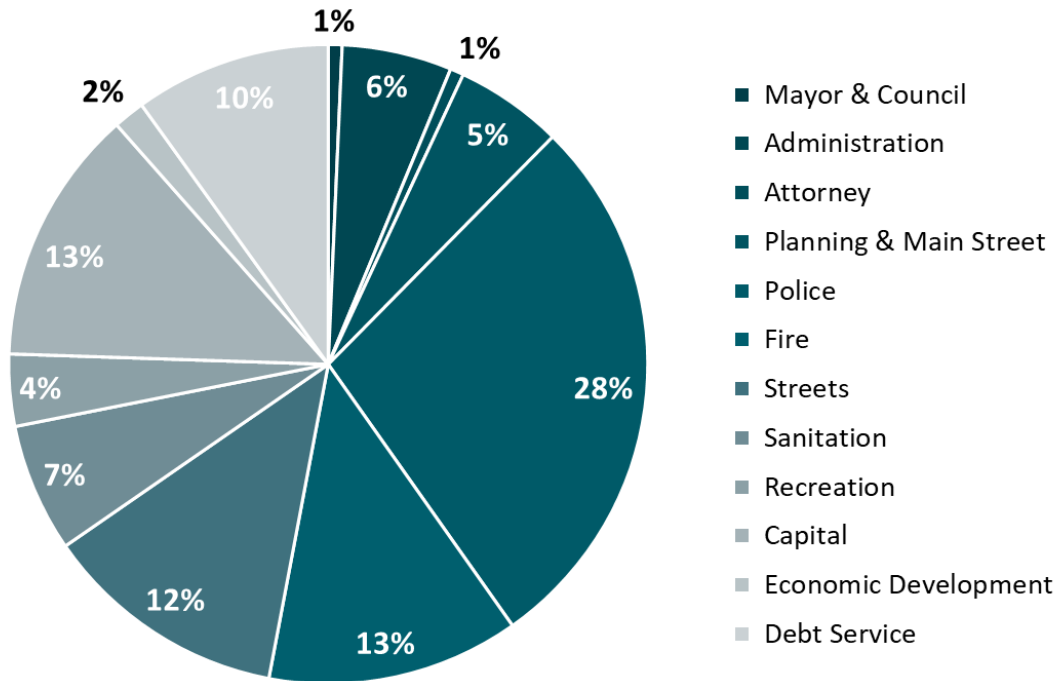
With the implementation of the City's five-year rolling budget, the City Council approached capital investments very intentionally. Funding for capital projects and equipment remains a goal of the proposed budget, and the top priorities of a 5-year Capital Improvements Program are funded. The proposed budget includes \$2.38 million for capital investments in the General Fund, which represents 13% of the General Fund budget.

A growing city must continue investing in its infrastructure and amenities to continue providing a great quality of life for its residents and a great place for its 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:

- Completion of the Belmont Recreation Center,
- Improvements to the playground surfacing at Davis Park and Stowe Park,
- Additional picnic shelters at Davis Park and Kevin Loftin Riverfront Park,
- A dog park at Davis 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,
- Updating the City's wayfinding signs to reflect changing and new destinations,
- North Belmont Public Safety Station, and
- Replacement vehicles and equipment that our staff needs to do their jobs effectively and efficiently.

CHART 3. PERCENTAGE OF GENERAL FUND SPENT BY DEPARTMENT FOR FY 2022-2023



GENERAL FUND SUMMARY

While the information noted above addresses the overall status of the General Fund with regards to revenue and expenditure totals, Table 2 on page 9 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. The city manager’s recommended General Fund budget funds the operations of the city, supports the city staff, meets the City’s debt obligations, and funds the city council’s recommended capital projects. It does all of this without raising taxes.

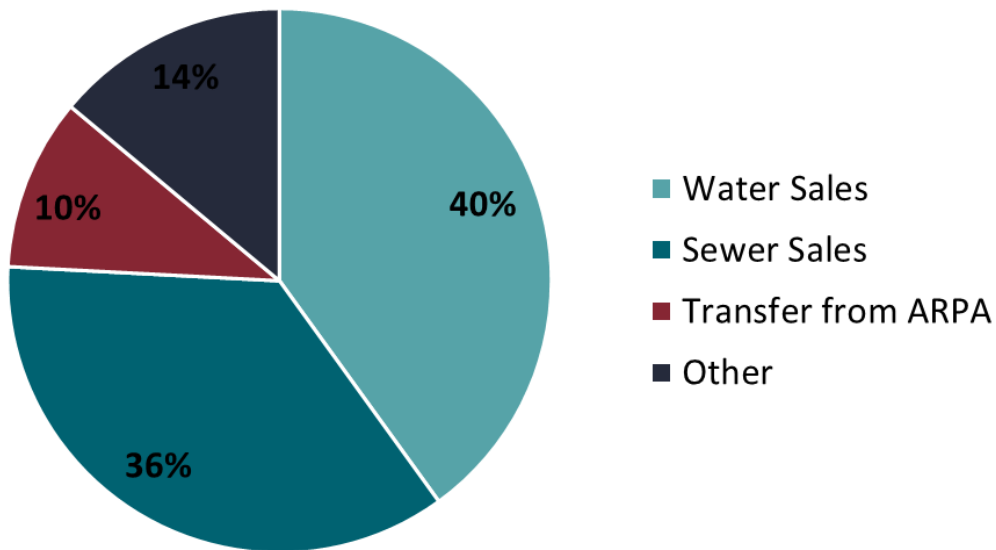
WATER AND SEWER FUND

REVENUES

Overall revenues in the Water and Sewer Fund for FY 2022-2023 are projected to total \$9,778,382, an increase of 6% from the adopted FY 2021-2022 budget of \$9,162,725. In the current fiscal year, the budget included the transfer of \$1 million from capital reserve to pay for capital projects. In the proposed budget, this \$1 million will come from the federal American Rescue Plan Act (ARPA) grant. 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.

Chart 4 below shows the major sources of revenue in the Water and Sewer Fund. Within this Fund, there are no major changes in Water Sales (\$3.9 million) or Sewer Charges (\$3.5 million) in comparison to the adopted FY 2021-2022 revenues.

CHART 4. WATER AND SEWER FUND REVENUE SOURCES



EXPENDITURES

Overall expenditures are also budgeted at \$9,778,382, an increase of 6% as compared to the adopted FY 2021-2022 budget. Chart 5 on page 15 provides the breakdown of expenditures in the various water and sewer departments.

SALARIES AND BENEFITS

The largest share of our expenditures continues to be found in personnel costs, which represents 45% of the Water and Sewer Fund. Personnel costs are the most expensive part of a municipal budget. During the budget discussions in 2021, the city council asked that salaries and benefits remain at or below 50% of the General Fund total. Although the city council did not expressly discuss applying this same benchmark to the Water and Sewer Fund, this proposed budget complies with that request. The proposed Water and Sewer Fund budget adds new full-time positions to keep up with the growing demands for service delivery, provides salary increases for city staff, all while maintaining the city council's benchmark of keeping personnel costs at no more than 50% of the Water and Sewer Fund budget.

As is the case with the proposed General Fund budget, the proposed Water and Sewer Fund budget for FY 2022-2023 includes a larger than normal cost of living adjustment (COLA) compared to recent years due to the unusually high rate of inflation we have experienced this year. The city manager recommends an across-the-board COLA of 7.9%, which was the Bureau of Labor Statistics consumer price index inflation (CPI) rate for February 2022. This figure was the latest one available when the draft budget was created, although the CPI rate increased to 8.5% in March 2022.

OPERATIONAL EXPENSES

Table 3 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 34% of the proposed budget.

TABLE 3. PERSONNEL AND OPERATING COSTS OF THE WATER AND SEWER FUND DEPARTMENTS

Department	Personnel Costs	Operating Costs	Debt Service	Capital Expenses	Total	% Personnel	% Operating	% Capital	% Debt Service	% of Budget
Water and Sewer	\$ 2,304,128	\$ 1,546,028			\$ 3,850,156	60%	40%	0%	0%	39%
Wastewater Plant	\$ 1,080,631	\$ 1,101,540		\$ 134,000	\$ 2,316,171	47%	48%	6%	0%	24%
Water Plant	\$ 1,013,539	\$ 702,969		\$ 92,400	\$ 1,808,908	56%	39%	5%	0%	18%
Capital				\$ 1,130,603	\$ 1,130,603	0%	0%	100%	0%	12%
Debt Service			\$ 672,544		\$ 672,544	0%	0%	0%	7%	7%
Water and Sewer Fund	\$ 4,398,298	\$ 3,350,537	\$ 672,544	\$ 1,357,003	\$ 9,778,382	45%	34%	14%	7%	100%

DEBT SERVICE

The Water and Sewer Fund budget complies with the adopted city council policy of spending no more than 25% of the budget on debt service. The proposed budget only spends 7% of the Water and Sewer Fund on debt service. The debt service budget includes the current debt service obligations.

CAPITAL EXPENSES

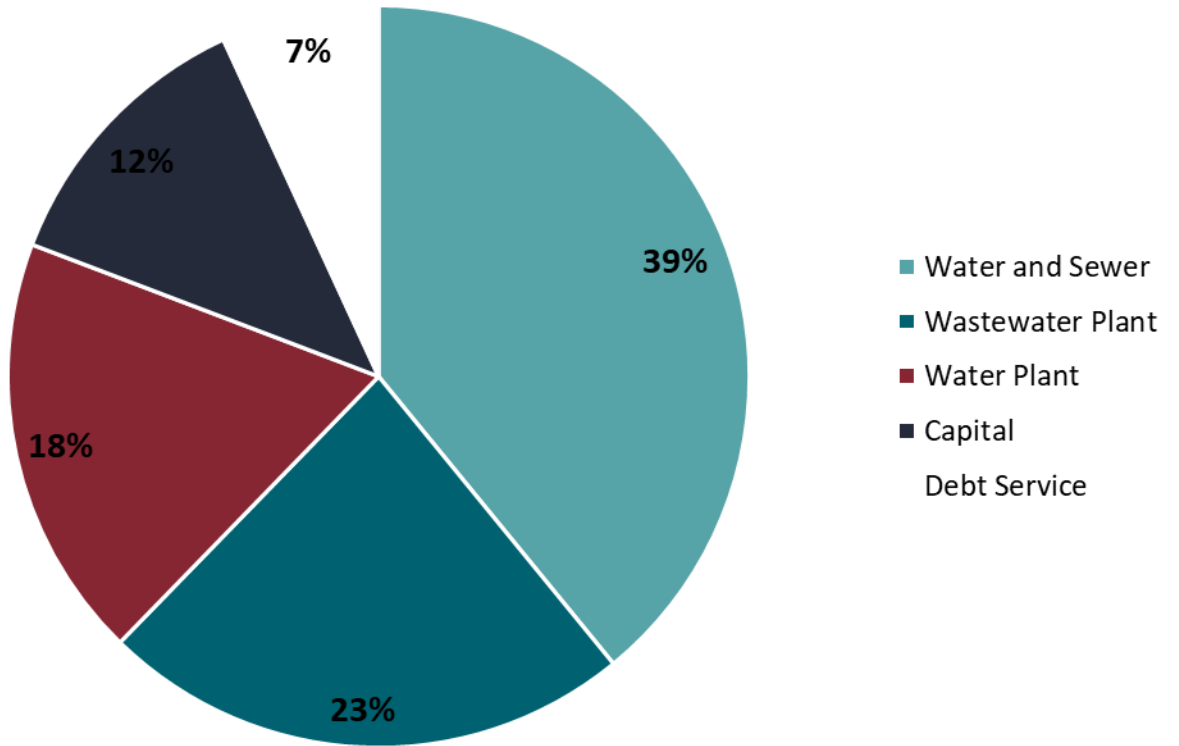
With the implementation of the City's five-year rolling budget, the City Council approached capital investments very intentionally. Funding for capital projects and equipment remains a goal of the proposed budget, and the top priorities of a 5-year Capital Improvements Program are funded. The proposed budget includes \$1.3 million for capital investments in the Water and Sewer Fund, which represents 14% of the proposed Water and Sewer Fund budget. Please note that while the capital line item is 12% of the Water and Sewer Fund budget, there are smaller capital items in the departmental budgets that bring the total amount of capital spending to 14% of the Water and Sewer Fund 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 infrastructure as well as adding new water and sewer infrastructure to support a growing city. These capital projects come from the capital improvements plan that the city council, staff, and the public have created.

These capital investments include, but are not limited to:

- North Belmont Water Booster Pump Station,
- South Belmont Elevated Water Tank and Booster Pump Station,
- Water Main Replacements,
- Water Treatment Plant Improvements,
- Myrtle Street Sewer Replacement,
- Clay Pump Station Upgrades,
- Pump Station Improvements, and
- Replacement vehicles and equipment that our staff needs to do their jobs effectively and efficiently.

CHART 5. WATER AND SEWER FUND DEPARTMENTAL EXPENDITURES FY 2022-2023



STORMWATER FUND

REVENUES

Overall revenues in this fund are projected to total \$770,200, which is 9% less than the adopted FY2021-2022 budget. This lower revenue estimate is based on the projections from the financial software that the staff uses. The stormwater fee remains at \$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. The stormwater fund is used to cover the cost of complying with the City's NPDES discharge permit. In addition to routine maintenance, the proposed budget includes over \$325,000 for capital projects in the stormwater CIP are funded in this proposed budget.

TABLE 4. PERSONNEL AND OPERATING COSTS OF THE STORMWATER FUND DEPARTMENTS

Department	Personnel Costs	Operating Costs	Debt Service	Capital Expenses	% Capital	Total	% Personnel	% Operating	% Debt Service
Stormwater	\$ 312,360	\$ 130,681	\$ -	\$ 327,159	42%	\$ 770,200	41%	59%	0%

TOURISM FUND

The budget for the Belmont Tourism Development Authority (BTDA) is increased to \$205,000 in the proposed budget from \$75,000 in the current fiscal year, which reflects the continued recovery in hotel occupancy from the COVID-19 pandemic. 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 FY2022-2023 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 and has updated annually since then. The budget implements the city council's vision and goals without raising taxes or water and sewer rates.

The budget also provides a salary increase for our employees that keeps pace with the increased inflation experienced over the past year. 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 6, 2022, after which it can be considered for adoption. After adoption the city budget becomes effective on July 1, 2022.

A copy of this proposed budget is available at www.CityofBelmont.org.