

Review of City of Lincolnton 2022-23 Budget



City Budget

City Budget Process

1. The city manager and staff propose the annual budget and present it to the city council for consideration.
2. The city is required to adopt a balanced city budget by June 30 for the upcoming budget year, following a public hearing on the proposed budget. The city council voted to adopt the 2022-23 proposed budget on June 2. The budget was unanimously approved (5-0).

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

- **General Fund** – (\$12,259,687) This fund covers most city operations, such as Fire, Parks and Recreation, Police, Streets and Planning. The property tax rate is 56 cents per \$100 valuation and has not changed since 2002.
- **Boger City Fire District Fund** – (\$1,036,000) This fund covers the cost of operating the fire department located in Boger City. The Boger City Fire District consolidated with the City of Lincolnton effective July 1, 2021. The Boger City Fire District tax rate is 12.5 cents per \$100 valuation.
- **Powell Bill Fund** – (\$326,000) This fund shall be expended primarily for the purposes of resurfacing streets within the corporate limits of the municipality but may also be used for maintaining, repairing, constructing, reconstructing or widening of any street or public thoroughfare within the municipal limits or for planning, construction, and maintenance of bikeways, greenways or sidewalks.
- **Special Revenue Fund** – () This fund serves to accommodate revenues received through dedicated grant revenue sources. The City of Lincolnton anticipates receiving additional Federal and State grant funds in FY2022-2023 from the American Rescue Plan and State SCIF grants. These will be budgeted out once the City of Lincolnton receives and makes obligations.
- **Water and Sewer Fund** – (\$8,108,950) This fund covers the operation and maintenance of the city water and sewer infrastructure and provides drinking water to city customers. There were no increases in rates.
- **Electric Fund** – (\$7,778,950) This fund covers the operation and maintenance of the city electric infrastructure and provides electricity to city customers. There were no increases in rates.

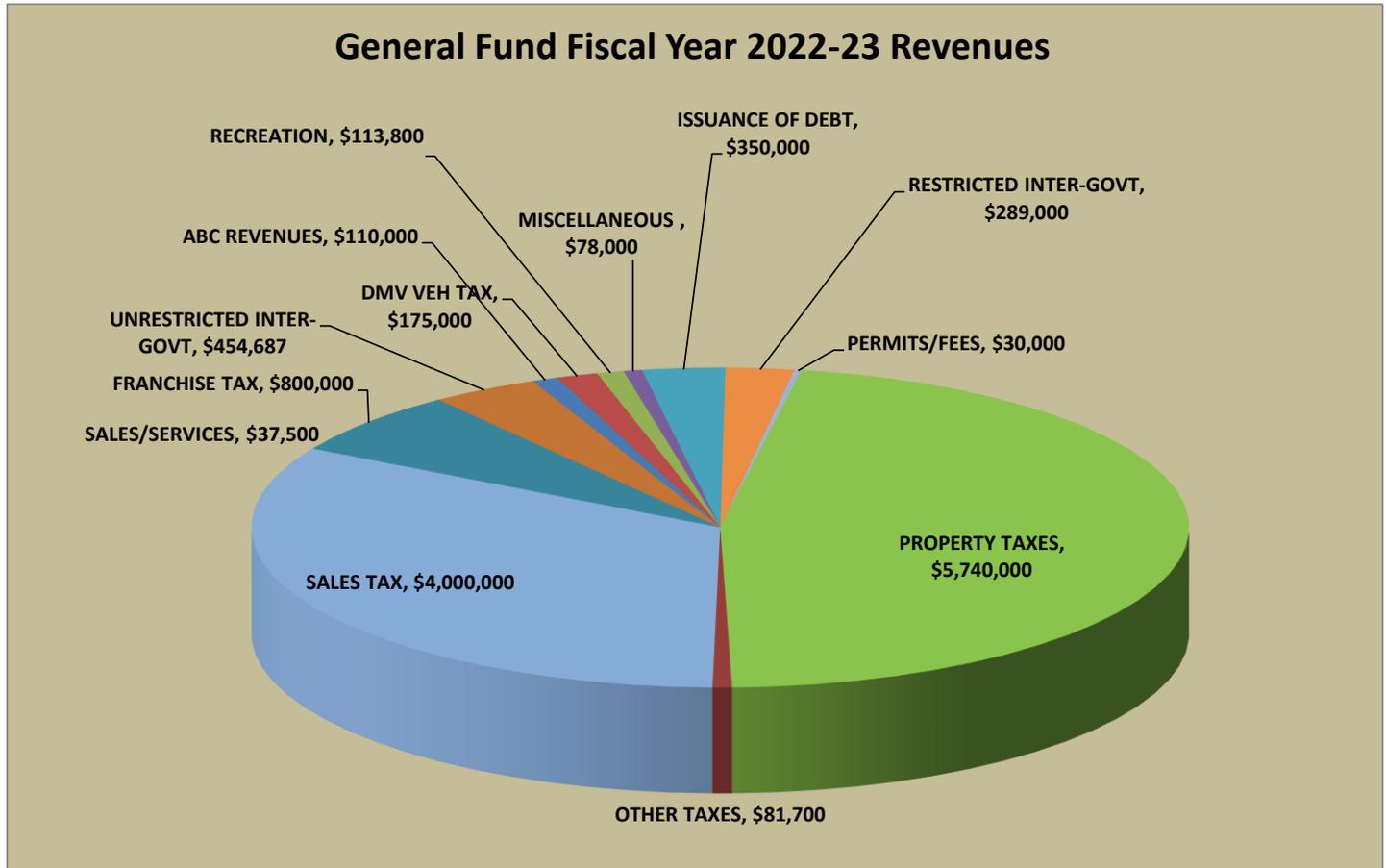
Budget (Fiscal) Year- The City of Lincolnton budget year runs from July 1 through June 30 of the following year.

City Demographics

- Population - ~11,900
- Water Customers – 6,504
- Sewer Customers – 4,738
- Electric Customers – 3,081
- City Employees – 166

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For fiscal year 2022-23, the City of Lincolnnton projected revenues for the General Fund totals \$12,259,687. The approved budget maintains the tax rate at 56 cents per \$100 in property valuation. The largest sources of revenues are Property Taxes, Sales Tax and Franchise Tax. The following section provides a brief description of the city’s revenue sources by category:



<p>Property Taxes (46.8%) 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 is 56 cents per \$100 and has not changed since 2002.</p>	<p>Permits and Fees (0.2%) Fees collected for issuance of permits by the city. One of the large components of this is business licenses.</p>
<p>Sales Tax (32.6%) Taxes imposed on the purchase, sale, rental, storage use or consumption of tangible personal property and related services. Specifically represents the city’s portion of the 2% sales and use tax collected.</p>	<p>Restricted Inter-Government (2.4%) Revenue from other governments in the form of operating grants, shared revenues. Must be spent as specified in the grants.</p>
<p>Franchise Tax (6.5%) Taxes imposed on corporations or business for using public property for private purposes.</p>	<p>Unrestricted Inter-Government (3.7%) Revenue from inter-fund transfers related to providing administrative and support services to enterprise operations.</p>
<p>Other Taxes & Licenses (0.7%) Taxes not classified under any other taxes.</p>	<p>Miscellaneous (0.6%) Fees collected for items not categorized above.</p>
<p>Sales and Services (0.3%) Fees collected for general government services.</p>	<p>Recreation Fees (0.9%) Fees collected for participation in activities and facility rentals.</p>

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ABC Revenues (0.9%) ABC profits paid to the City.	DMV Vehicle Tax (1.4%) \$20 fee per non motorized vehicle in the City limits.
Issuance of Debt (2.9%) Loans for Capital Expenses	Fund Balance (0%) Funds not included in budget that are similar to a "savings account".

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.

WHERE THE MONEY COMES FROM.....

GENERAL FUND REVENUES	FY 2022-23	%
PROPERTY TAXES	5,740,000	46.8%
OTHER TAXES & LICENSES	81,700	0.7%
SALES TAX	4,000,000	32.6%
SALES & SERVICES	37,500	0.3%
FRANCHISE TAX	800,000	6.5%
DMV VEHICLE TAX	175,000	1.4%
GRANTS	-	0.0%
ABC REVENUES	110,000	0.9%
RECREATION	113,800	0.9%
ISSUANCE OF DEBT	350,000	2.9%
UNRESTRICTED INTER-GOVERNMENT	454,687	3.7%
MISCELLANEOUS	78,000	0.6%
RESTRICTED INTER-GOVERNMENT	289,000	2.4%
PERMITS & FEES	30,000	0.2%
FUND BALANCE	-	0.0%
TOTAL GENERAL FUND REVENUES	12,259,687	100%
BOGER CITY FIRE DISTRICT	1,036,000	100%
POWELL BILL FUND	326,000	100%
SPECIAL REVENUE FUND	-	100%
BUSINESS TYPE REVENUES		
WATER SALES/SEWER SALES	7,742,000	41.7%
OTHER WATER REVENUES	226,950	1.2%
ISSUANCE OF DEBT	187,400	1.0%
FUND BALANCE- WATER FUND	-	0.0%
ELECTRICITY SALES	7,529,600	40.5%
OTHER ELECTRIC REVENUES	201,950	1.1%
FUND BALANCE- ELECTRIC	-	0.0%
TOTAL BUSINESS TYPE REVENUES	15,887,900	100%
TOTAL REVENUES	29,509,587	

WHERE THE MONEY GOES.....

GENERAL FUND	FY 2022-23	%	Cents
POLICE	3,820,170	31.2%	14.0 ¢
FIRE	2,510,380	20.5%	9.2 ¢
STREET MAINTENANCE	893,750	7.3%	3.3 ¢
PARKS & RECREATION	979,860	8.0%	3.6 ¢
GENERAL EXPENSE	1,433,202	11.7%	5.3 ¢
SOLID WASTE	906,125	7.4%	3.3 ¢
GENERAL DEBT SERVICE	151,000	1.2%	0.6 ¢
CITY MANAGER/CLERK	172,430	1.4%	0.6 ¢
FINANCE	47,430	0.4%	0.2 ¢
IT GENERAL SERVICES	178,125	1.5%	0.7 ¢
PLANNING/ZONING	326,990	2.7%	1.2 ¢
HUMAN RESOURCES	338,000	2.8%	1.2 ¢
PUBLIC WORKS	44,590	0.4%	0.2 ¢
COMMUNITY DEVELOPMENT	206,415	1.7%	0.8 ¢
EQUIPMENT SERVICES	251,220	2.0%	0.9 ¢
TOTAL GENERAL FUND EXPENSES	12,259,687	100%	56.0 ¢
BOGER CITY FIRE DISTRICT	1,036,000	100%	
POWELL BILL FUND	326,000	100%	
SPECIAL REVENUE FUND	-	100%	
TOTAL GOVERNMENTAL ACTIVITIES	13,621,687		
BUSINESS TYPE FUNDS			
WATER TREATMENT	1,873,993	10.1%	
DISTRIBUTION AND COLLECTION	1,994,195	10.7%	
WASTEWATER	1,772,865	9.5%	
WATER AND SEWER INTANGIBLES	2,467,897	13.3%	
TOTAL WATER/SEWER FUND	8,108,950		
ELECTRIC FUND	7,778,950	41.9%	
TOTAL BUSINESS TYPE ACTIVITIES	15,887,900	86%	
TOTAL EXPENSES	29,509,587		

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General Fund Revenue All revenue that is not required to be reported as program revenue. All taxes, even those that are levied for specific purpose, are general revenues and should be reported by type of tax.	Business-Type Activities One of two classes of activities reported in the government-wide financial statements. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services. These activities are normally reported in enterprise funds. The city currently has two business-type funds- The Water and Sewer Fund and The Electric Fund.
Powell Bill Revenue Powell Bill allocations are made to incorporated municipalities which establish their eligibility and qualify per North Carolina General Statute 136-41.1 through 136-41.4.	Government Activities Activities generally financed through taxes, intergovernmental revenues and other non-exchange revenues.
Special Revenue Specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.	

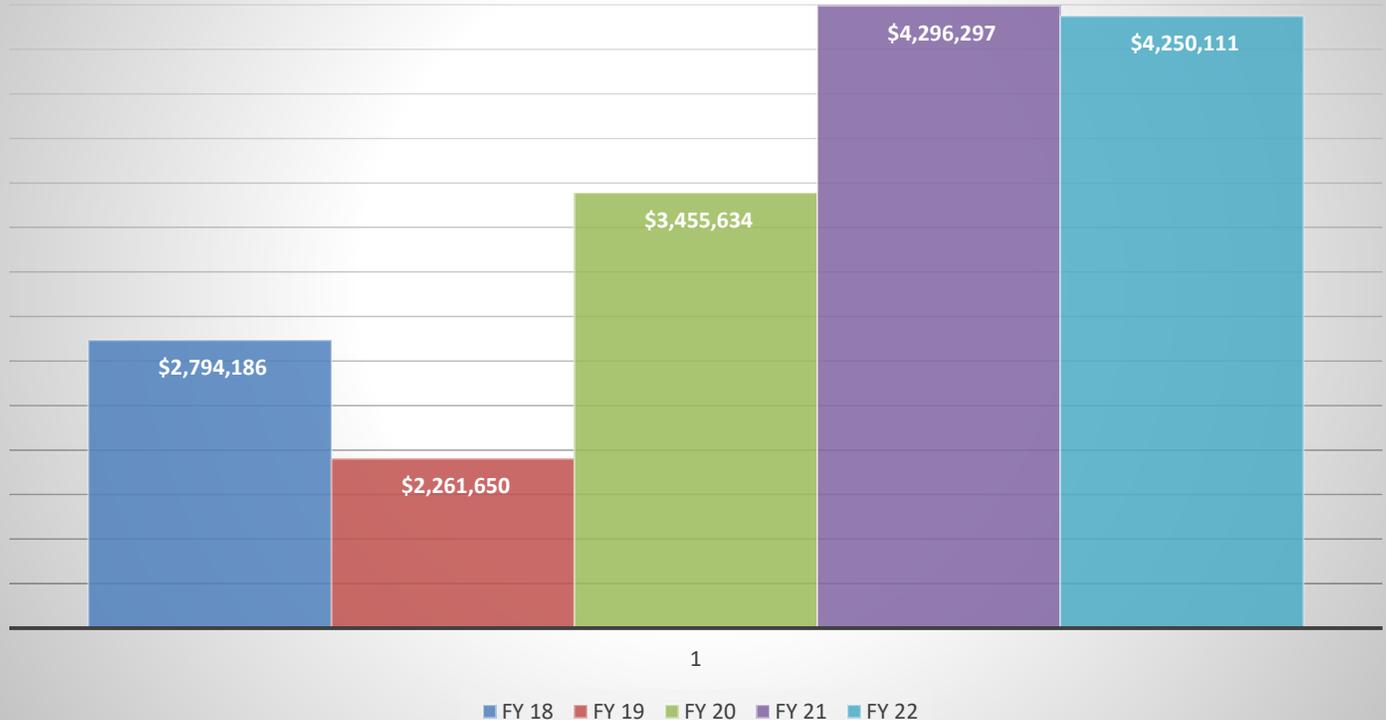
FUND BALANCE QUESTIONS

- **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 ~ \$4,250,111, or 30.16%. 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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Unassigned General Fund Balance History

*** Balances represent available fund balance from the prior year that can be used in FY noted.***



PROJECTS/ACCOMPLISHMENTS

- **Downtown Parking Lot – Water Street (Lincoln Times Building)-\$350K**
 - The City purchased the Lincoln Times Building for \$125,000, abatements and demolition have occurred and a RFP for the completion occurred in April 2022. The project is anticipated to be completed before the Apple Festival.
- **Rail Trail Patio Project-\$187K**
 - The City has received several grants for 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 \$91,300; respectively. Completion of the project is expected before the end of FY2223.
- **Wifi Access Points Project-\$25K**
 - City Hall and the Fire Department was up-fitted with new Wifi access points for safety and security purposes. This project was completed in February 2022.

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- **City Surveillance System-\$180K (~annual subscription)**

- The City is contracting with Ocean10 Security to install the Tsunami 360 Surveillance System throughout the City. The cameras will be installed at City Parks, along the Rail Trail, Hollybrook Cemetery, at the City's Water Plant, Waste Water Treatment Plant, Public Works, and on city streets. The goal is to provide an added level of safety and security for the citizens and visitors to the City of Lincolnton. Also, this project will give the City of Lincolnton's Police Department additional investigative tools for incidents that occur within the jurisdiction.

- Initial date of project: March 2022

- Estimated completion of the installation: June 30, 2022.

- **iaGIS Project-\$35K**

- Geodatabase mapping of the city's above and underground infrastructure.

- System will enable the Public Utilities Department to identify and maintain infrastructure issues.

- Initial date of project: April 2022

- Project will take approximately 6 months to map and document