

May 16, 2023

Honorable Mayor Gibbons and Members of the City Council:

Pursuant to Section 159-11 of the North Carolina General Statutes (NCGS), Local Government Budget and Fiscal Control Act, I am pleased to submit the Recommended Fiscal Year (FY) 2023-2024 Budget for your review and consideration. This document provides a financial plan for the upcoming fiscal year and was developed in accordance with the City Council's Priorities established in both the February Strategic Planning Retreat and the March Budget Retreat as well as during Council/Departmental meetings held over the past year. The budget does take into account our dynamic economy.

A work session to review the Recommended FY 2023-2024 Budget is scheduled to be held on Thursday, May 18, 2023, at 6:00 p.m. and a public hearing on the budget is scheduled on Tuesday, June 6, 2023, at 6:00 p.m.

General Fund

The proposed General Fund budget totals \$22,066,505 and is balanced with the current property tax rate of 57¢ per \$100 of assessed property value. The budget maintains the current Rescue Readiness Tax Rate of .85¢ per \$100 of assessed property value for a total tax rate of 57.85¢ per \$100. The budget includes a \$1.00 increase in the Solid Waste fee.

Nearly 81% of the General Fund's revenue comes from property tax (44%), sales tax (26%) and franchise tax (11%) revenue. The remainder comes from a combination of state-shared revenue, investment earnings, permits and fees, and sales and services. We are conservatively projecting sales tax revenue in FY 2023-24 based on the collections received during FY 2021-2022. As of March of 2023, sales tax revenues are up 12.49% year-to-date (YTD) and in FY 2022-23, sales tax revenues were up 16.23%.

Funds received from the American Rescue Plan (ARP), the NC State Capitol Infrastructure Funds (SCIF) Program, the NC Park and Recreation Trust Fund (PARTF), the Appalachian Regional Commission, NC Rural Transformation Grant, and other grants and contributions are not included in the recommended budget, as we allocate these monies under separate capital project ordinances. These revenue resources will continue to focus on capital items, such as greenway and trail expansion, brownfield assessment and clean-up, The Campus at Historic Lenoir High School (The Campus), Aquatic Center renovations, wayfinding signage and downtown improvements - all of which are long-term capital expenses.

A comprehensive list of capital projects and associated funding sources is included in the proposed budget packet. The City will continue to utilize grant funding and pursue funding opportunities to accomplish Council priorities.

The Recommended Budget contains no new debt and does not use any fund balance.

Downtown Municipal Service District

The proposed Downtown Municipal Service District (MSD) budget is balanced with the current property tax rate of 20¢ per \$100 of assessed district property value. The MSD budget includes funding for additional downtown decorations.

Water and Wastewater Fund

The proposed Water and Sewer Fund budget totals \$10,726,980 and includes a 4% increase in water and sewer rates. The City has traditionally used the annual Consumer Price Index (CPI) - South Region for All Urban Consumers as a gauge and guide when considering increases in Water and Sewer Rates. The CPI was 6.4 % in February of 2023. The rate increase for a typical customer with 5,000 gallons of usage is anticipated to generate \$2.09 per month.

Budget Highlights

The key components of this budget are:

- Core services are continued with revenue projections estimated in a realistic, conservative manner. The projections include consideration for the continued uncertainties in the future economic environment.
- Employee Compensation: The City, like private employers, is experiencing workforce challenges with some positions in both recruitment and retention. City Council and Management continue to recognize that our employees are vital to the delivery of quality municipal services and represent our most valuable asset. As our top strategic priority, the budget includes a cost-of-living-adjustment (COLA) of 4.5% for all employees. The Budget also includes six (6) new positions - a new Purchasing/Logistic Manager and a Safety Coordinator in the Public Services Department, and in partnership with Caldwell County Schools, four (4) new School Resource Officer positions in the Police Department. The budget funds the mandatory increases in the retirement contribution for general employees from 12.10% in FY23 to 12.85% in FY24 and for sworn law-enforcement which increases from 13.10% in FY23 to 14.10% in FY24.
- The City's group health insurance premiums will increase by 5%, while maintaining the current plan benefit levels. The cost of the City's property and liability insurance will increase by 17.49% and the workers' compensation insurance coverages will increase by 7.71%.
- Street Resurfacing: The budget allocates \$410,000 (an increase of \$10,000) to continue resurfacing City-owned streets based on our updated Pavement Study. State Powell Bill funding is expected to remain stable in the coming year. Additionally, the budget includes \$206,250 in funding for our strategic paving priorities.
- Downtown: The budget allocates funds from the federal Community Development Block Grant (CDBG) Capital Project Fund to continue improvements to The Campus. Several grants have been recently awarded to help fund additional improvements to The Campus as well.

- Code Enforcement: The budget includes more than \$100,000 for building demolitions, foreclosures and nuisance enforcement (excluding personnel expenses) in response to the City Council's priorities.
- Technology: There is funding for computer and information technology upgrades throughout the organization to enhance and improve operations and security.
- Environmental: The City continues to contract with the Western Piedmont Council of Governments (WPCOG) to manage and oversee our Federal Phase II Stormwater Program. The budget also includes funding to contract with WPCOG to provide comprehensive mapping of our stormwater system.
- The budget includes funding for a new Comprehensive Plan for the City (which will focus on neighborhood planning including West End, Whitnel, and other neighborhoods).
- The budget funds all debt obligations.

The following General Fund capital projects are included: a heating, ventilation, and air conditioning (HVAC) replacement unit, brake lathe and headlight adjuster for Vehicle Services; a service vehicle for Streets; a Cemetery Master Plan, a zero turn mower, a columbarium, a service truck for Cemeteries; a rear loading garbage truck, and roll-off rentable containers for Sanitation; Police Department and Fire Department classroom renovations; six (6) patrol cars, ten (10) mobile in-car radios, video enhancement system, and four (4) spare Mobile Data Terminals for the Police Department; ten (10) self-contained breathing apparatus (SCBA's), Lenoir Fire Station II apron repairs, a Lung University Cardiopulmonary Assist System (LUCAS) tool, and an HVAC replacement unit for the Fire Department; and new doors for Martin Luther King Jr. Center, a utility vehicle and mower, technology upgrades for Parks and Recreation.

The following Water and Sewer Fund capital projects are included: two (2) pick-up trucks, lobby renovations and American Water Infrastructure Act compliance improvements at the Rhodhiss Water Treatment Plant; a skid steer and mower, a service truck, major pressure reducing valve vaults in Water Distribution; a service truck, a used fork lift and trailer in Utilities Maintenance; a spare pump for the Kincaid Station, upgrade pumps for the Cypress Station, a dump truck in Wastewater Collections; a grinder pump and screen, and bar replacement at Gunpowder Plant; and influent repairs at the Lower Creek Wastewater Plant.

Summary

In closing, this Recommended FY 2023-2024 Budget is balanced in accordance with State Statutes and attempts to address the goals and priorities that have been established by City Council for the City's future while being mindful of the current economic conditions.

Though the budget does not fund all of the requested operating and capital needs, the Recommended FY 2023-2024 Budget represents a level of funding, which will allow the City to maintain and enhance current service levels while making organizational changes to be cost effective and more efficient. Further, as noted in the information distributed for the retreat in February, our staff continues to display a culture that encourages cost savings to maximize resources to accomplish budget initiatives.

I would like to recognize the efforts of Finance Director Donna Bean, as she has been instrumental in the preparation of this document. Her thoroughness and guidance are appreciated.

Finally, I would also like to express my thanks to the Department Directors, Team Lenoir and City Council for their patience, understanding, and dedicated work on this important policy document. Our primary goal, each and every day, via our employee-led customer service initiative, remains to provide “Service Beyond Measure”.

Come “Create With Us” in Lenoir!

Respectfully submitted,

Scott E. Hildebran
City Manager