



**CITY OF BELMONT
FISCAL YEAR 2017-2018
MANAGER'S RECOMMENDED
BUDGET**

Belmont City Council



Charles R. Martin, Mayor
Martha Stowe, Mayor Pro Tem

Doug Gadd
Ron Foulk
Ryan Schrift
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MEMORANDUM

To: Mayor Martin and City Council

From: Adrian Miller, City Manager

Re: FY 2017-2018 Budget Message

Date: June 5, 2017

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 2017-2018. Through the following budget message, I will highlight the major aspects of this proposed budget, with particular emphasis being given to significant changes between this and the prior year's budget. The total FY 2017-2018 budget as proposed, including General Fund, Water & Sewer Fund, Stormwater Fund, and Tourism Fund, totals \$18,130,574, which is 1.23% higher than the FY2016-2017 adopted total of \$17,909,699.

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 reached agreement on many goals for the year:

Overall Goals

- Create realistic and measureable strategic goals for each department. Evaluate them throughout the year to determine the effectiveness of the department. (3 goals & objectives for monthly metrics for improvement/corrective actions– Dept Heads/Manager)
- Create a succession plan for key positions where current employee could retire within 5 years.

- Complete the 5 year rolling budget in time to create a framework for the 2017-2017 budget process.
- Connect the various parts of town together (utilities, streets, and pedestrian/bicycle).
- Promote Catawba Crossings and Wilkinson Boulevard bridge replacement with MPO and NCDOT.
- Promote city accomplishments on website and use tools to better communicate with the public.
- Tie all of the city's plans and projects together into a strategic plan that identifies short, medium, and long term priorities and how to pay for them within the 5 year rolling budget.
- NCDOT Traffic Study on city website
- Opengov Information to public
- North Belmont Substation/Infrastructure/Affordable housing area
- Belmont Rowing Center & Parks & Recreation/Board Awareness

ABC Board

- Consider leasing retail space at South Fork Station and subleasing to Belmont ABC Board for an ABC store.

Economic Development

- Identify areas for commercial, office, and industrial development. Create a strategy to recruit businesses to these areas independent of other agencies. (Currently, businesses going to west of county....attract/assist with keeping taxes down – funds from TDA/EDC)
- Focus on Wilkinson Boulevard for redevelopment opportunities.
- Work with Chronicle Mill to jumpstart that project, including utility relocation. (Possible gym on site & first right to purchase agreement)

Parks and Recreation

- Conduct inventory and assessment of each park to determine purpose and needs of each park.
- Provide a recommendation on whether or not to build a skateboard park, and if so, to determine the best location. Staff will coordinate with public works and police department on research. (Possible re-allocation of skate park donation & communication)
- With Belmont Middle School potentially closing within the next 5 or so years, staff will need to find a location for a city gymnasium. Staff needs to determine scope and uses for gymnasium.

Planning and Zoning

- Comp Land Use Update (use common language for public understanding) & timeline on specific items and assign accordingly/5 year plan prioritization
- Propose amendment to the Land Development Code to require a traffic impact study for new residential and commercial developments at a lower threshold than NCDOT. This should be done as soon as possible.
- Review the sign ordinance, specifically the off-site signage allowed.
- Continue addressing downtown parking concerns. Consider a holistic plan that includes additional supply of parking, management of existing spaces, education of business owners, enforcement of existing parking regulations, and creation of revenue sources from parking to pay for parking improvements.

Police

- Continue to gather usable data on calls for service, workload, and use of officer time.
- Explore options to reduce city role in responding to incidents on I-85.
- Update nuisance related ordinances to speed compliance.
- Conduct survey to establish baseline department morale levels. Follow up over time to measurement overall department morale.

Stormwater

- Determine level of service that the City needs to provide relative to NPDES permit and services provided by Gaston County Natural Resources.
- Proceed with Poplar Street stormwater project.

During the first budget workshop on April 18, 2017, you provided further guidance on objectives for this budget. These objectives included implementing the recommendations of the recently completed Classification and Compensation Study to bring our employee salaries closer to other local governments in our labor market, adding new positions to help with the growing workload in some departments, and creating a list of capital expenses and projects addressing the most urgent needs of the Water and Sewer Enterprise Fund.

This proposed budget for Fiscal Year 2017-2018 accomplishes several of the City Council's goals and objectives. Funding is included to assist the Belmont ABC Board as it opens its first retail store at the South Fork Station development, to provide water and sewer infrastructure to all of Wilkinson Boulevard for redevelopment of that corridor, and to complete the Poplar Street stormwater project.

City staff have created a five-year rolling budget to complement this one-year budget. This five-year budget estimates general fund revenues and expenditures over the next five years, showing the amount of funding for the capital needs identified in the Capital Improvements Program. It shows that the capital needs of the City greatly exceed the City's ability to fund them.

GENERAL FUND

REVENUES

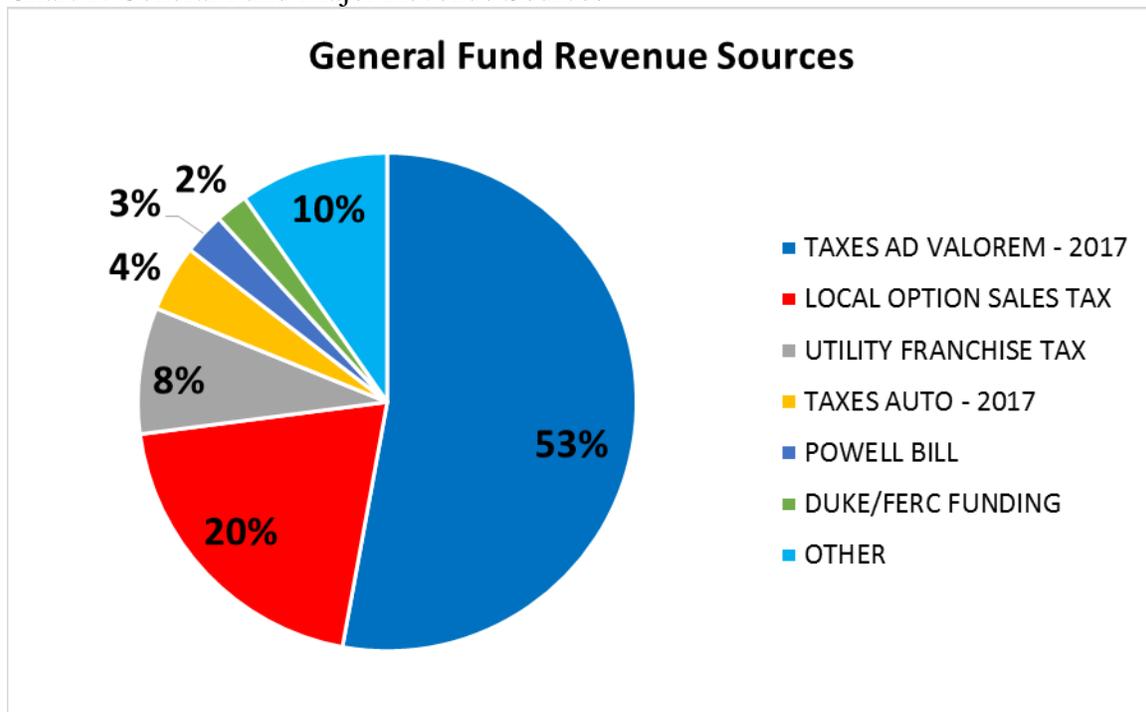
This proposed budget for FY 2017-2018 totals \$11,217,575, an increase of 8.9% from the originally adopted FY2016-2017 budget of \$10,294,447. The adopted budget has been amended one time this year to account for loan proceeds for capital items. The amended budget for the current fiscal year is \$10,744,447, and the proposed budget is a 4.4% increase over it. Table 1 below shows general fund revenues over the past five years.

Table 1. General Fund Revenues between FY13 and FY17

FY 13 Actual	FY 14 Actual	FY 15 Actual	FY 16 Actual	FY 17 Adopted	FY17 Amended
\$8,449,121	\$9,293,128	\$9,226,340	\$9,633,091	\$10,294,447	\$10,744,447

Within this fund, we are again projecting increases in our largest General Fund revenues: 12.5% in Ad Valorem Taxes (Current Year) and 4.7% in Utility Franchise Taxes. Both of these revenue sources saw increases in the current year over the previous year. Our estimated collection of Local Option Sales Taxes shows a 10% decrease from the current budget, as the sales tax revenues did not come in as strong as projected. The City experience this year so far is that sales taxes have come in 10% higher than last year, but were projected to come in even higher. The estimate of \$2.25 million is to be in line with this year's experience, which should end the year around \$2.17 million collected. Chart 1 below shows the breakdown of various sources of general fund revenue.

Chart 1. General Fund Major Revenue Sources



Of these revenue sources, the only ones that the city council controls are ad valorem taxes, solid waste fees, and other user fees. The State and County control the rest.

The vehicle license tax of \$15 per vehicle 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 \$305,000 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 is dedicated to transportation improvements.

The monthly solid waste fee will increase to \$5 per household and business, and this increase helps to cover the cost of providing solid waste service to households and businesses. The fee of \$5 per month only covers 36% of the cost of providing the service. These services include weekly garbage collection and biweekly recycling and yard waste collection. It also covers quarterly bulk item collection. Table 2 below shows how other Gaston County municipalities pay for solid waste services.

Table 2. Solid Waste Fees for Gaston County Municipalities

City	Monthly Garbage Fee	Monthly Recycling Fee	Total Monthly Solid Waste Fees	% of Cost Recovered by Fees
Belmont	\$5.00	\$0	\$5	36%
Bessemer City	\$9.25	\$2.70	\$11.95	Not provided
Cherryville	\$14.00	\$0	\$14.00	100%
Cramerton	Included in taxes	Included in taxes	Included in taxes	Included in taxes
Dallas	\$13.00	Not provided	\$13.00	76%
Gastonia	\$6.50	\$0	\$6.50	41%
Lowell	\$5.70	Not provided	\$5.70	44%
Mount Holly	\$6.50	\$3.00	\$9.50	Not provided
Average	\$8.56	\$1.14	\$9.38	

This proposed budget proposes the first increase in the property tax rate in over a decade. The budget proposes to increase the current ad valorem tax rate of 47.5¢ per \$100 of valuation to 50¢ per \$100 of valuation. This 5% increase in the ad valorem tax rate would bring the tax rate back to a level similar to 49.5¢ rate in effect in 2006. The total property valuation of approximately \$1.25 billion is a 2.4% increase over the valuation figure of \$1,228,000,000 used in the 2016-2017 budget.

This budget estimates an ad valorem tax collection of \$6,417,185 for real property and registered motor vehicles. The increase in the property tax rate is estimated to generate an additional \$310,875. This additional revenue gained from this 2.5¢ increase in the ad valorem tax rate will go toward the capital needs of the city, such as a new fire truck and

upgrades to Davis Park, Reid Park, and Stowe Park. The city has identified capital needs for next year of \$1.9 million, and this budget proposes \$812,805.77 towards these needs.

This proposed budget does not provide funding for all of the identified needs, but it will allow the City to more aggressively fund them than in the past. 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.

Table 3 below shows the current city property tax bill and the proposed property tax bill with a \$0.50 tax rate for various property values. The median value of owner-occupied housing in Belmont in December 2016 was \$180,918. This owner would pay an additional \$45.23 per year in city property taxes under this proposed budget. According to Claritas Data from December 2016, 53% of all owner-occupied houses in Belmont are valued between \$100,000 and \$300,000. These owners would pay between \$25 and \$75 more per year in property taxes under this proposed budget.

Table 3. Property Tax Bill Under Current and Proposed Property Tax Rates

Property Value	Per Penny Amount	Tax Rate	Tax Bill	Tax Rate	Tax Bill	Increase from Current
\$100,000	\$10.00	\$0.475	\$475.00	\$0.50	\$500.00	\$25.00
\$150,000	\$15.00	\$0.475	\$712.50	\$0.50	\$750.00	\$37.50
\$180,918	\$18.09	\$0.475	\$859.36	\$0.50	\$904.59	\$45.23
\$200,000	\$20.00	\$0.475	\$950.00	\$0.50	\$1,000.00	\$50.00
\$250,000	\$25.00	\$0.475	\$1,187.50	\$0.50	\$1,250.00	\$62.50
\$300,000	\$30.00	\$0.475	\$1,425.00	\$0.50	\$1,500.00	\$75.00
\$400,000	\$40.00	\$0.475	\$1,900.00	\$0.50	\$2,000.00	\$100.00
\$500,000	\$50.00	\$0.475	\$2,375.00	\$0.50	\$2,500.00	\$125.00
\$750,000	\$75.00	\$0.475	\$3,562.50	\$0.50	\$3,750.00	\$187.50
\$1,000,000	\$100.00	\$0.475	\$4,750.00	\$0.50	\$5,000.00	\$250.00
\$1,250,000	\$125.00	\$0.475	\$ 5,937.50	\$0.50	\$6,250.00	\$312.50
\$1,500,000	\$150.00	\$0.475	\$7,125.00	\$0.50	\$7,500.00	\$375.00

Within Gaston County, the municipalities have property tax rates varying from 30¢ to 54¢ per \$100 in valuation. Stanley has the highest rate at 54¢, followed closely by Gastonia and Mount Holly at 53¢. Belmont and Cramerton have the next highest rate at 47.5¢. The proposed rate for Belmont of 50¢ will keep us in line with our position relative to other towns with the county. You can see the listing of the property tax rates for the municipalities within Gaston County on Table 4 on the next page.

Table 4 below shows the proposed tax rate for FY2017-2016 as well as the current and previous fiscal years' property tax rate for the municipalities within Gaston County.

Table 4. Gaston County Municipal Tax Rates for 2016 and 2015

Municipality	2017 Tax Rate (Proposed)	2016 Tax Rate	2015 Tax Rate
Stanley	54¢	54¢	54¢
Gastonia	53¢	53¢	53¢
Mt. Holly	53¢	53¢	53¢
Belmont	50¢	47.5¢	47.5¢
Cramerton	47.5¢	47.5¢	47.5¢
Cherryville	46¢	46¢	46¢
Bessemer City	45¢	45¢	43¢
Kings Mtn.	43¢	43¢	40¢
Lowell	43¢	43¢	43¢
High Shoals	41¢	41¢	41¢
Dallas	40¢	40¢	38¢
Ranlo	40¢	40¢	40¢
McAdenville	30¢	30¢	30¢
Spencer Mtn.	0¢	0¢	0¢

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 \$11,217,575, an increase of 8.9% from the originally budgeted FY2016-2017 amount of \$10,294,447. The adopted budget has been amended one time this year to account for loan proceeds and expenditures for capital items. The amended budget for the current fiscal year is \$10,744,447, and the proposed budget is a 4.4% increase over it.

Overall, the largest share of our expenditures continues to be found in personnel costs, which represents 52% of the general fund. As presented here, the proposed budget for FY 2017-2018 includes a full implementation of the position, classification, and compensation study. This includes four new general fund positions: a planning technician, parks and recreation special events coordinator, a downtown police officer, and a fire department shift supervisor. The salary increases vary by employee, but the overall goal is to bring most employees to within 5% of the market rate for the position, as identified in the study. This should help with retaining employees and being more attractive for hiring new ones. The cost to implement these salary increases in the general fund is approximately \$198,000, which is more cost effective than the \$300,000 in average annual turnover costs that we are currently paying.

Of the 120 full time employees, only 17 are being paid at or above the market. These 17 employees will not receive any increase from this salary study. In order to promote

accountability and to reward employees for good job performance, this budget identifies the 17 employees not receiving an increase and those receiving only a minimal increase from the salary study, and it provides 5% of those employees' salaries in a pool for performance based merit raises.

I am pleased to report that the City's health insurance premiums for FY2017-2018 show a decrease of approximately 3%. We are changing providers to receive this cost decrease, but the structure and benefits remain similar to our current provider. Employees who cover their dependents on our plan will also receive a small decrease in their cost of dependent coverage. I would like to thank our Wellness Committee and the work that everyone has done to seek medical care for prevention in helping to keep our medical costs where they are.

While the information noted above addresses the overall status of the General Fund as regards revenue and expenditure totals, Table 1 below shows the proposed personnel and operating costs of the various departments and items included in the General Fund.

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

Department	Personnel Costs	Operating Costs	Total	% Personnel	% Operating
Mayor and Council	\$ 52,409	\$ 27,658	\$ 80,067	65%	35%
Finance	\$ 285,920	\$ 484,415	\$ 770,335	37%	63%
Attorney	\$ 90,000	\$ 10,000	\$ 100,000	90%	10%
Planning	\$ 402,456	\$ 112,707	\$ 515,163	78%	22%
Police	\$ 2,618,690	\$ 513,887	\$ 3,132,577	84%	16%
Fire	\$ 1,305,909	\$ 210,498	\$ 1,516,407	86%	14%
Streets	\$ 694,862	\$ 815,982	\$ 1,510,844	46%	54%
Sanitation	\$ -	\$ 821,680	\$ 821,680	0%	100%
Recreation	\$ 331,305	\$ 214,690	\$ 545,995	61%	39%
Capital		\$ 830,306	\$ 830,306	0%	100%
Economic Development		\$ 261,476	\$ 261,476	0%	100%
Debt Service		\$ 1,150,225	\$ 1,150,225	0%	100%
General Fund	\$ 5,781,551	\$ 5,436,024	\$11,217,575	52%	48%

The operating expenses in the general fund are in line with the past several years. There is an expense of \$13,239 to the Gaston County Board of Elections for the cost of the municipal election in November 2017. We have also added \$20,000 in the police department budget to equip every officer with body worn cameras. We will partner with the Gastonia Police Department for this project, which will protect our residents as well as our officers.

A new economic development fund is also included in this budget. With a budget of \$261,476, this fund includes the agreement for lease payments for the Belmont ABC

store, the agreement for TechWorks funding, an economic development strategic plan focused on the Charlotte Douglas International Airport, and an economic development agreement with US Cotton for its investment in the Parkdale facility on Parkdale Drive.

As discussed in the general fund revenue section of this budget message, the capital outlay line item is being increased this year to address current capital needs. This line item is proposed at \$812,805, an increase of 33% over the current year's budget. This funding will help make improvements to Davis, Reid, and Stowe Parks for new playground equipment and to address deferred maintenance items. It will also be used for an extension of the Main Street streetscape and to pave additional downtown parking lots. Staff and advisory boards have identified approximately \$1.4 million in capital needs for next year, so this increase in capital spending will help address these needs, but it will not provide funding for all of the general fund capital needs.



The playground equipment shown above in Stowe Park (left) and Reid Park (right) as well as that in Davis Park (below left) is old and in bad repair. As popular as these parks are, they need updated and accessible playground equipment. The gazebo at Stowe Park (below right) was donated by the shop class at South Point High School many years ago and has outlived its useful life. As Stowe Park again becomes home to concerts and other community events, the gazebo needs to be replaced with a modern and more functional one.

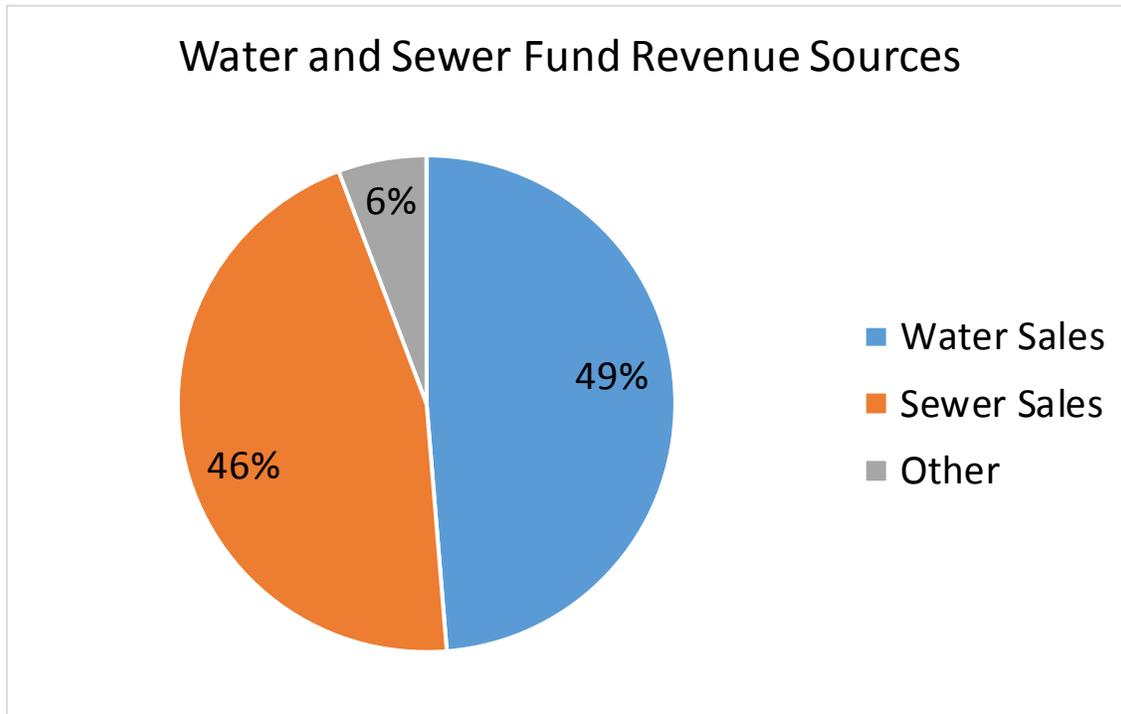


WATER AND SEWER FUND

REVENUES

Overall revenues in this fund for FY 2017-2018 are projected to total \$6,460,588, an increase of 3.5% as compared to the adopted FY2016-2017 budget of \$6,238,300. Chart 2 below shows the major sources of revenue in the Water and Sewer Fund.

Chart 2. Water and Sewer Fund Revenue Sources



Within this Fund, we are projecting increases of approximately 1.1% in Water Sales and 1.5% in Sewer Charges, our largest revenue sources, in comparison to the originally adopted FY2016-2017 revenues. This revenue increase is based on our experience over the past several years and particularly that in FY2016-2017.

This budget includes a 0.5% increase in the base rates and usage rates for water sales and sewer sales. It also includes changes to various fees charged for water meters and development-related services provided by the water and sewer department staff. These fees cover the costs of providing these services.

EXPENDITURES

Overall expenditures are also budgeted at \$6,460,588, an increase of 3.5% as compared to the adopted FY2016-2017 budget. This increase is consistent with our recent experience in water and sewer sales and the cost of providing these services to our utility customers.

As discussed previously for General Fund personnel expenses, there are funds allocated within the proposed departmental budgets to provide for the implementation of the position and workload audit and classification and compensation study. After several years of no new positions added in the utility fund departments, this proposed budget recommends adding 11 new positions within this fund. The budget also recommends eliminating the two meter reading positions when the AMI project is completed.

These 11 new positions are needed to comply with state mandates for utility locating services and backflow prevention requirements. They also include a new three person utility maintenance crew, which will enable the department to have a separate crew dedicated to the northern, central, and southern areas of town. These new positions also include a new collections clerk to assist with the administration of the department and with utility billing, as well as water and wastewater treatment plant superintendents. All of these positions are needed to properly maintain an aging utility system and to keep up with the demands of a growing city.

Personnel costs make up a smaller portion of the Water and Sewer Fund since this fund is capital intensive. Personnel costs comprise 45% of the Water and Sewer Fund. This is an increase from the current budget due to the additional positions.

While the information noted above addresses the overall status of the Water and Sewer Fund as regards 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	Total	% Personnel	% Operating
Water and Sewer	\$1,370,966	\$493,729	\$1,864,695	74%	26%
Wastewater Plant	\$732,274	\$863,440	\$1,595,714	46%	54%
Water Plant	\$825,589	\$518,719	\$1,344,308	61%	39%
Capital	\$ -	\$929,126	\$929,126	0%	100%
Debt Service	\$-	\$726,745	\$726,745	0%	100%
Water and Sewer Fund	\$2,928,829	\$3,531,759	\$6,460,588	45%	55%

This proposed budget includes \$929,126 in capital investments to purchase needed vehicles and equipment as well as upgrades to the existing water and sewer infrastructure. Although not included in the operating budget, the City Council has requested that staff become more aggressive in addressing the deferred maintenance needs at the water and wastewater plants and the needed maintenance of the existing water and sewer system. Staff is working on a \$6 million plan to address these needs, using existing capital reserves to finance these investments.

STORMWATER FUND

REVENUES

Overall revenues in this fund are projected to total \$452,411, and increase of 16% from the adopted 2016-2017 budget. The proposed revenue budget for the Stormwater Department's operations is based upon continuation of the current base rate of \$3.00 per residence per month, with the rates for non-residential properties determined by the amount of impervious surface on each respective site. The proposed budget also includes transferring \$42,411 from capital reserve to address capital needs.

EXPENDITURES

All of the information noted above for the other funds' expenditures regarding salary and benefit expenses applies to the Stormwater Department as well. No new positions are proposed within this fund. Personnel costs make up 36% of the cost of this fund, while operating expenses make up 64% of the fund.

While this budget addresses the operating needs of the stormwater department, it does not address the growing capital needs identified in this department. There are \$325,617 worth of capital needs in the stormwater fund, but this budget only provides for \$38,000 in capital funding. To address the stormwater needs of our town, the stormwater fee must eventually be increased.

TOURISM FUND

The budget for the Belmont Tourism Development Authority is increased from \$75,000 to \$90,000, which reflects the recent performance of this fund.. 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

This combined budget proposal meets the needs of a growing town and addresses the City Council's priorities. It puts the City on a path to address the capital needs identified by the staff, advisory boards, and City Council. It recognizes that as the City is growing, the need for additional staff increases. The budget also implements the first compensation study done in 15 years, which will help us retain and recruit professional staff. The recommended budget will be formally presented at a required public hearing to be held at your regular meeting of June 5, 2017. A special meeting will be on June 26, 2017 for final adoption of the budget ordinance for FY2017-2018.