

BUDGET WORK SESSION OF APRIL 25, 2022

The City of Kings Mountain, North Carolina met in a Budget Work Session at 3:00 p.m. on Monday, April 25, 2022 in Council Chambers at City Hall with Mayor Scott Neisler presiding.

ATTENDANCE

The following Councilmembers were present: David Allen, Keith Miller, Mike Butler, Annie Thombs, Jay Rhodes, Tommy Hawkins, and Jimmy West.

Also, present: Marilyn H. Sellers, City Manager, Nick Hendricks, Energy Services Director/Assistant City Manager, Karen Tucker, City Clerk, Rachel Whitaker, HR Director, and Chris Costner, Finance Director.

INVOCATION

The invocation was given by Mayor Scott Neisler.

PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Mayor Scott Neisler.

BUDGET WORK SESSION

Marilyn Sellers, City Manager welcomed Council stating that the City is in the best financial shape that it has ever experienced. After two years of COVID, we are very fortunate to be where we are. We have handled the emergencies and the circumstances that have surrounded us, and unfortunately, this is not the case with other cities. There are exciting things happening, such as the UDO, Comprehensive Plan, and Streetscape. We have a great fund balance, great audits, low tax and utility rates and are able to set aside fund balance for capital projects. This is a result of solid decisions and great staff.

The rate and wage study has been completed; however, the consultant could not attend today's meeting. He will be at the May 5th meeting to present his findings. She stated that staff has taken a conservative approach and are very comfortable budgeting the reoccurring expenses to bring all employees up to market. This is included in the budget that is being presented today. Some employees are affected more than others. The City was proactive in doing an in-house salary study in the past, and we are in better shape than we could have been. This is a great budget, but it is very important to manage it properly, especially with all of the economic development that is coming. She introduced Chris Costner, Finance Director and he reviewed the the proposed Fiscal Year 2022-2023 budget. The total proposed is \$53,854,833.

Budget Goals "Report Card"

General Fund

- No significant changes regarding services the city is currently offering- **accomplished**
- To not use General Fund balance to cover operating expenditures - **accomplished**
- Hold constant or reduce the operating transfer from the Electric Fund to the General Fund - **accomplished**

Utility Fund

- Meet our financial needs without significant rate increases this next budget year. Meeting needs entails providing sufficient resources to operate and maintain our systems (Electric, Water/Wastewater, Stormwater, and Natural Gas) – **accomplished**

All Funds

- Adequately budget for implementation of market study by third party consultant - **accomplished**
- 2.5% annual rate subsidy/COLA proposed for all employees- **accomplished**
- 2.5% mid-year bonus or additional COLA – **accomplished, non-recurring Bonus vs. COLA, tbd, based upon actual revenues, other economic factors**
- No increase for Health Insurance premiums for employees – **accomplished**

BUDGET RECOMMENDATION HIGHLIGHTS

- Property Tax Rate – **NO Change** it remains at .43
- No proposed adjustments at this time to City General Fund Fees - (Clint is doing a study on this due to all of the development that is coming. The City's fees are significantly lower than others that are comparable.)
- No increases in Health Insurance premiums for employees
- Minimal employee additions (1.5) to the 2022-23 General Fund
- No Electric rate increase
- No Water rate increase
- No Wastewater rate increase
- No Stormwater rate increase
- No Natural Gas rate increase

All rates remain flat at this time. When applying for grants for infrastructure projects, sometimes a rate increase may be required.

Mr. Costner gave a City-wide overview of personnel which breaks down the salary, taxes, retirement, and medical benefits per fund. Fire received one new position and Planning/Economic Development received one part time position. There have been vacant positions that have been transferred to different departments.

As far as debt is concerned, the city has a light debt burden, and is managing the debt that we do have very well. This will change with gas and electric funded projects. Mr. Costner reviewed the debt by fund, and most of the City's debt still lies in the Water Fund.

Healthcare Benefits

Highlights are as follows:

- No proposed medical plan changes (Gold, Silver, and Bronze)
- No increase in employee cost for medical
- Information will be presented at open enrollment meetings

General Fund Overview

In the last budget, the City squeezed everything due to COVID. There was very little capital and it was amended throughout the year, as needed. This is not being done in this year's budget in that the City is trying to project capital outlay by nearly three times. It is important to note in respect to the recurring expenditures

versus recurring revenues that our recurring revenues are being covered without using fund balance. Most of the increase in revenues is coming from sales tax. This means that people are buying more in Cleveland County and, as we all have experienced, prices are up. Another contributing factor is that much of the development in the area is taking place in our neck of the woods. Sales tax is a big chunk of the increase, but property taxes are pretty much neutral. The increase that we received last year in residential property taxes was offset by the decrease in commercial/industrial. We are trying to give the Electric Fund a break right now due to the cost of gas prices and the fact that they have upcoming projects. It is important that these funds do not encounter any cash flow problems.

As to the ARPA funds that are coming, this budget would be the same budget with or without those funds. The ARPA funds are not taken into consideration.

General Fund Analysis

2021-2022 Original Budget ** \$17,833,114 (**amended at 3/31/2022 was \$18.8 Million)

Changes:

Salary market adjustments	\$ 460,000 (already budgeted in proposed HR budget)
2.5% COLA for 2022-2023 – SOP	\$ 275,000
2.5% Bonus/Possible COLA	\$ 275,000 (TBD mid-year)
Increase in capital outlay	\$ 952,500
Operations	\$ 261,061

2022-2023 Proposed Budget \$20,056,657

Overall, there was a 12.5% change in the total General Fund Budget.

As to Capital Outlay, this is broken down on a departmental level. An important note is that about a half million dollars will be financed. This is due to the debt service dropping off.

Mr. Costner reviewed general fund revenues and expenditures, as well as, each departmental budget in the General Fund, which include Non-Departmental, Admin/Finance/Billing, Human Resources, Elections, Police, Fire, Public Works Admin./Garage/Streets & Grounds/Sanitation/Cemetery, Planning and Economic Development, Moss Lake, Building and Code Enforcement, Senior Center, Library, IT, Special Events and Parks & Recreation.

The General Fund balance is based upon our peer group, and the City is in line with that group. Our peer groups consist of municipalities who have a population of 10,000-20,000 and have an electric fund. Funds from the General Fund should only be used for emergencies and for capital needs that would be beneficial not to finance or that cannot be financed. Regarding the current tax rate, in comparison to our peer group, the City of Kings Mountain offers much more. The current tax rate of .43/100 is not high compared to our peer group, which is an average of .54/100. The city is now 20% below our peer group. The General Fund balance is healthy, but not high compared to our peer group and we need to maintain a higher fund balance given our decreased borrowing capacity. The benchmark for fund balance is fifty percent of your peer groups average. Mr. Costner also addressed transfers stating that we have a current structure that requires our Electric Fund to contribute significantly to the General Fund. In order to make that happen it is important to monitor our tax and utility rates to ensure that they are giving us an adequate revenue stream.

Marilyn Sellers, City Manager gave an overview of general government future needs. This is a “50,000 view;” however, there are many projects that need to be considered in the future as revenue grows.

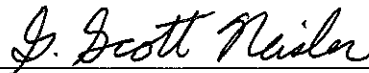
Mr. Costner gave a very brief overview of the Powell Bill Fund, E911 Special Revenue, Economic Incentives Special Revenue Funds, Stormwater Fund and Water/Sewer Fund. He also addressed the grants that the City has received for wastewater projects (Project South and the I & I Project for Kings Mountain Blvd. – both mostly grant funded projects) stating that Council has already adopted a project ordinance for each.

Marilyn Sellers, City Manager stated that another Work Session is scheduled for Thursday, May 5th at 3:00 p.m. This will consist of the Energy Services proposed budget and a presentation regarding the rate and wage study. A third session can be scheduled if Council feels that it is needed.

ADJOURNMENT

Upon motion by Councilmember Tommy Hawkins, seconded by Councilmember Jay Rhodes it was unanimously voted to adjourn the Budget Work Session at 5:37 p.m.

ATTEST:



G. Scott Neisler, Mayor



Karen A. Tucker, CMC