



City of Locust

Post Office Box 190
Locust, North Carolina 28097-0190
(704) 888-5260

Office of the City
Administrator

June 11, 2020

The Honorable Steve Huber, Mayor
Member of the Locust City Council
City of Locust, North Carolina

Dear Mayor Huber and Members of the City Council:

Pursuant to Section 159-11 of the North Carolina General Statutes, attached is the recommended FY 2020-2021 budget for your review and consideration. I want to thank the Mayor and City Council for providing staff with specific direction during our budget retreat on February 29, 2020. Your comments and directions were used as guidelines for budget recommendations. I also want to thank department heads and their respective staff for their assistance in preparing this proposal.

The 2020-2021 FY City-wide budget totals \$4,430,441 for both General Fund and Enterprise Wastewater Fund.

The recommended General Fund budget for FY 2020-2021 is \$3,230,441 for City personnel, operations, capital improvements and debt service. I am recommending that the tax rate remain at \$0.36/\$100 valuation, thus marking FY 2020-2021 as the 23rd consecutive year that Locust citizens have not experienced a tax increase. Including an approximate 11% overall increase in Locust's assessed property values determined during the 2019 Cabarrus County revaluation process, the revenue neutral tax rate, using the formula provided in G.S. 159-11(e), is calculated at roughly (\$0.02) for FY 2020-2021.

This recommendation assumes the North Carolina General Assembly will not make changes to local government revenues distribution that will impact the City of Locust.

Per Council's direction, the focus of this budget aims to uphold the City's mission statement to "plan and prioritize for the citizens' well-being through equitable and quality services, focusing on cost-efficient government." The City Council is to be commended for continuing to be conservative in projecting revenues, in holding down expenditures, and in maintaining the City's Fund Balance Reserve. These practices have enabled the City of Locust to remain in a healthy financial position.

To ensure the health of the City's financial position for years to come, the City adopted a fiscal policy to maintain as a minimum a general fund balance reserve,

minus restricted funds, to be used for unanticipated emergencies of twenty-five percent (25%) of the General Fund Budget. These funds are to be used to avoid cash-flow interruptions, generate interest income, and eliminate need for short-term borrowing. As per the 2018-2019 FY audit, the City's general fund balance reserve is approximately 83% of total General Fund expenditures for the 2018-2019 FY.

Notice of this submission will be given to the news media and the public, and a public hearing will be scheduled at the Council's monthly meeting on June 11, 2020 at 7:00pm. A copy of this proposed budget will be placed on file with the City Clerk and will be available for public inspection during normal business hours within 10 days prior to the June 11th public hearing.

Budget Highlights

The General Fund Operating Budget

Revenues for the General Fund increased by 2.84% or approximately \$90,000. This is mainly a result from increased property values and new home construction experienced in 2019. A \$192,000 appropriation from Fund Balance Reserves is being allocated to cover the costs of the Public Works Administration Building expansion. However, it is unlikely that reserves will be used.

The revenues for the General Operating Budget consist of locally collected property taxes, state collected taxes, and city income sources such as fees, fines, and interests on investments. The revenues are estimated by several means: North Carolina League of Municipalities (NCLM) estimates, past and current revenue activity, and an analysis of current economic conditions and forecasts. State collected revenues were estimated using the NCLM recommendations with a conservative approach. Given the current economic climate and the impacts of the COVID-19 Pandemic, we estimate a 15% decrease in Sales Tax and Franchise Tax revenues for FY 2020-2021.

We believe that our growth will continue to be quite modest for the next fiscal year. Each one cent on the tax rate generates approximately \$46,585 in revenues. Property and vehicle taxes comprise about 49% (\$1,612,000) of the revenues for the general operating budget. The City's property tax base increased by 11.1% or \$50,045,020.00

Personnel wages and benefits comprise over one half of most municipal budgets and Locust is no exception. The City locked rates for vision and dental premiums, and a 20.3% decrease in health benefits for City employees. Management has requested and included in this recommendation a 3.0 % cost of living adjustment and merit increase for personnel beginning the first pay period of FY 2020-2021.

Wastewater Enterprise Fund

Pursuant to House Bill 436 "An Act to provide for uniform authority to implement system development fees for public water and sewer systems in North Carolina," The City of Locust

contracted Raftelis Financial Consultants to complete a System Development Fee Study in 2018. I am recommending sewer system development fees to remain at \$2,500 per connection.

In addition, I am recommending sewer rates to stay flat despite an anticipated 4% increase in wastewater treatment costs from Stanly County Utilities.

In 2020-2021 FY, the City will make a \$100,000 transfer to the Capital Reserve Fund in anticipation of the upcoming sewer improvements to the Redah Acres Lift Station. The City is prepared to use Wastewater Fund operating revenues and reserves to pay for the Redah Sewer improvements instead of financing the costs. Therefore, the Wastewater Enterprise Fund will continue to be debt-free, while maintaining a healthy reserve surplus.

Capital Improvement Program

The recommended Capital Improvement Program for FY 2020-2021 includes, at the Council's request:

- New Public Works Administration Building and renovations to existing DPW shop.
- Parking lot repairs at the Locust Athletic Complex.
- Various wastewater improvements to isolation valves and the installation of telemetry systems at various lift stations.
- Completion of the Redah Acres Lift Station improvements.
- Purchase of a new LPD Dodge Durango SUV.

In conclusion, the City of Locust is fortunate and proud of the hard-working elected officials and staff, and for their dedication to this community. I would like to acknowledge the Mayor and City Council for their continuous support and leadership.

While this budget is proposed by the City Administrator, the Mayor and City Council will review these recommendations to arrive at what they consider the proper expenditure of the available revenues for the upcoming year.

Respectfully,

Cesar Correa
City Administrator