



OVERVIEW OF PROPOSED FY 2016-2017 CITY ANNUAL BUDGET

CALL FOR PUBLIC HEARING

**J. Alan Carson
City Manager**

**Lexington City Council Meeting
May 23, 2016**

INTRODUCTION

- In accordance with State law, the proposed City Annual Budget for fiscal year beginning July 1, 2016 and ending June 20, 2017 is presented for City Council review and action
- Annual Budget proposes funding for City operations, capital items and debt payments



STANDARD DEVELOPMENT OF FY 2016-2017 ANNUAL BUDGET

- Department Heads submit requests to Finance Department
- Department Heads asked to hold the line on operations but also asked for creative ideas
- Budget requests are reviewed with each Department Head by City Manager, Assistant City Manager and Finance Director and spending priorities are set with City Council goals and service levels in mind in order to balance
- Personnel requests reviewed with each Department Head by City Manager, Assistant City Manager and Human Resources Director



STANDARD DEVELOPMENT OF FY 2016-2017 ANNUAL BUDGET (CONTINUED)

- All requirements for balancing the annual budget for presentation to City Council have been observed
- City Council reviewed the proposed annual budget in detail at a Budget Work Session held April 27, 2016
- State law requires City Manager to submit balanced annual budget to City Council by June 1st
- City Council is required to adopt a balanced annual budget by June 30th after holding a public hearing



CITY COUNCIL'S ADOPTED 2016-2017 GOALS

- Combined with General Operating Principles, City Council Goals are foundation for proposed annual budget

 - City Council's Top Ten Goals:
 1. Create an environment that grows the economy, increases tax base and fosters entrepreneurial opportunities
 2. Continue to expand recreational opportunities for citizens
 3. Focus efforts on improving the City's appearance
 4. Develop Depot District including advocating for passenger railstop
 5. Support programs that will prepare students for good citizenship, successful future and jobs
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CITY COUNCIL'S ADOPTED 2016-2017 GOALS (CONTINUED)

- City Council's Top Ten Goals (continued):
 6. Maintain City's financial integrity while enhancing government services
 7. Partner with key stakeholders to expand cultural arts and entertainment options
 8. Support development of "green" initiatives
 9. Attract and retain a diverse and inclusive professional staff that is highly trained and skilled and reflects the community
 10. Continue to address homeownership, housing options, blighted neighborhoods and neighborhood stabilization



PROPOSED 2016-2017 ANNUAL BUDGET

○ Obstacles:

❖ **Police turnover at 17%**

- 80% of turnover is due to low pay and outdated equipment
- Police currently operating with 77% of line officers
- Ferguson Effect:
 - Officers leaving police forces at alarming rates
 - Basic Law Enforcement Training (BLET) classes enrollment shockingly at low levels
 - Normal class average 32 per class
 - Current class size 11
- City action at May 23rd meeting affects 2016-2017 Annual Budget
- Staff recommended and Council approved minimum police officer pay to a 38 city survey average of \$35,000



PROPOSED 2016-2017 ANNUAL BUDGET (CONTINUED)

○ Obstacles (continued):

- Increased remainder of Lexington Police Department staff 5% to combat compression
- Add additional body cameras, in-car cameras, in-car laptops
- Replace vehicles with maintenance issues
- Retire old outdated equipment and vehicles
- Additional officer for Drug Enforcement Administration (DEA) task force for possible recovery funds
- Changes of Salary/Benefits and equipment estimated at \$550,000 or nearly 4¢ tax rate pressure

❖ **Loss in property tax revenues totals \$450,000 or approximately 3.08¢ on tax rate**



PROPOSED 2016-2017 ANNUAL BUDGET (CONTINUED)

- Net increase of 5 full-time positions
 - Add 7 full-time positions
 - Unfund 2 positions
- No merit increase for City employees
 - Full merit system up to 5% has not been in place since 2007-2008
- Cost of Living of 3% delayed until October
 - 5th Cost of Living increase in the last 11 years



PROPOSED 2016-2017 ANNUAL BUDGET (CONTINUED)

- Continue bundling debt financed projects for adequate collateralization and target interest rate savings for customers and citizens:
 - Electric System reliability projects underway
 - Electric and Warehouse Operations Facilities with Washington Park and Holt-Moffitt all underway



PROPOSED FY 2016-2017 ANNUAL BUDGET IMPACT TO CITY UTILITY CUSTOMERS

- No natural gas base rate increase and cost of gas declining creating savings for customers
 - Slight increase of 50¢ per month to basic facilities charge in wastewater (or \$6 a year) and slight increase of \$1.50 per month to basic facilities charge in water (or \$18 per year)
 - Fund a water/wastewater vulnerability assessment with rate study component
 - Prefund needed reliability improvements and utility line relocations due to bridge replacements
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PROPOSED FY 2016-2017 ANNUAL BUDGET IMPACT TO CITY UTILITY CUSTOMERS (CONTINUED)

- Recommend a 2% electric rate reduction effective July 1, 2016
- By avoiding another 5% wholesale electric rate increase and recognizing a 2% rate reduction, the annual savings for our customers could potentially be \$130



PROPOSED FY 2016-2017 ANNUAL BUDGET IMPACT TO CITY TAXPAYERS

- With improvements in Police of \$550,000 and the loss of \$300,000 in drug forfeiture funds, as well as a lower revaluation adjustment of \$45m, the City has or will realize a combined loss of nearly 9¢ on the property tax revenue
 - Unfortunately a tax rate increase will be needed this year of 5¢ in order to support law enforcement and stabilize the loss of revenue due to the loss of property values



GRANTS TO PARTNER AGENCIES FOR FY 2016-2017

- Current year's annual budget - \$189,000
- Total requests for next year - \$275,900
- Total Grants to Agencies Funding of \$235,900 up from current funding of \$189,000
 - Bus Route Transportation Funding of \$26,900
 - Uptown Grant Program addition of \$20,000 for grants related to “good repair” ordinance



LEAVING A TRAIL...

WHERE THERE IS NO PATH

- City service levels maintained and enhanced with Wednesday rollout recycling route added – year 4 of 4
 - City Council's goals and Strategic Planning Committee's vision to revitalize Lexington's economy and improve quality of life tied to annual budget
 - City continues to use strategy to invest in technology efficiencies, utility system reliability, economic development, and enhanced recreational opportunities as the economy tries to recover during stagnant revenue period
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LEAVING A TRAIL...

WHERE THERE IS NO PATH (continued)

- Proposed annual budget continues to use this strategy to invest in new economy and quality of life initiatives
- Economic development initiatives continue to be pursued
- Partnerships continue
- New technology implemented
- Supports City employees in delivering efficient and effective services



LEAVING A TRAIL...

WHERE THERE IS NO PATH (continued)

- Public infrastructure continues to be built
- Recreation for citizens improved with 4-year “Re-creation of Recreation” master plan and opening of Washington Park
- Davidson County Transportation routes maintained
- Public health guarded by recycling, waste collection and water resources



LEAVING A TRAIL...

WHERE THERE IS NO PATH (continued)

- Reliability of utility services is funded and infrastructure is being restored
- Key City services necessary to support local economy are maintained
- City's financial integrity maintained to meet service and debt obligations



City of Lexington

Budget Summary and Comparison

Fund	15-16 Budget	16-17 Budget
General Fund	\$ 23,929,085	\$ 24,991,302
Controlled Substance	89,152	84,680
Special Tax District	90,000	100,000
Electric Fund	51,967,136	50,634,511
Water/Wastewater Fund	8,863,961	9,696,926
Natural Gas Fund	13,237,331	10,698,509
Golf Fund	<u>1,008,732</u>	<u>1,146,431</u>
Total City Budget	\$ 99,185,397	\$ 97,352,359

How Will Tax Rate and Utility Rate Changes Affect the Average City Resident?

- For a home that is valued at \$100,000, the proposed 5 cent tax rate increase will affect a City resident by:
 - Increase of \$50.00 per year (or \$4.17 per month)
- For a home that uses 1,000 kWh, the 2.0% proposed electric rate decrease will affect a City resident by:
 - Savings of \$37.08 per year (or \$3.09 per month)
- For a home that uses water and wastewater, the \$1.50 proposed water base rate charge and the \$0.50 proposed wastewater base rate charge increases will affect a City resident by:
 - Increase of \$24.00 per year (or \$2.00 per month)
- For a home that uses natural gas, the lower budgeted cost of natural gas for a City resident equates to:
 - Savings of \$50.35 per year (or \$4.20 per month) (actual impact of changes are dependent on actual cost of gas and will vary in timing and amount from budgeted cost)



How Have Tax Rate and Utility Rate Changes Affected the Average City Resident?

	2015-16	2016-17	Total 2-Year Impact
Tax rate changes	\$ -	\$ 50.00	\$ 50.00
Electric rate changes ¹	(47.04)	(37.08)	(84.12)
Water/Wastewater base rate changes	-	24.00	24.00
Natural Gas budgeted cost changes ²	(11.52)	(50.35)	(61.87)
Total Annual Impact	\$ (58.56)	\$ (13.43)	\$ (71.99)
Total Monthly Impact	\$ (4.88)	\$ (1.12)	\$ (6.00)
Total Monthly Impact (excluding Natural Gas)	\$ (3.92)	\$ 3.08	\$ (0.84)

¹In addition, the average city resident avoided a 5% increase in 2015-16 due to the approved Power Agency debt restructuring, positively benefiting city residents by an additional \$87.48 per year (\$7.29 per month).

²Actual impact of cost of gas changes are dependent on actual cost of gas and winter weather consumption patterns and will vary in timing and amount from budgeted cost of gas.



CITY MANAGER'S RECOMMENDATION

**City Council to call for
public hearing on proposed
FY 2016-2017 Annual Budget
for June 13, 2016, at 7:00 p.m.
at City Hall**



PUBLIC INPUT ENCOURAGED

- Proposed annual budget and City Manager's PowerPoint presentation will be available in the City Clerk's office for inspection and copying
- Proposed annual budget and City Manager's PowerPoint presentation can be found on the City's website at www.LexingtonNC.gov with news link on the home page
- Public hearing notices in The Dispatch, City Government Cable TV Channel 13, and City's website

