

MINUTES

Special Meeting – Budget Workshop
City Hall Council Chamber

May 23, 2022
Monday, 12:00 p.m.

Present: Mayor O. Stanhope Anthony III, presiding; Council Members Andrew L. Hopper Sr., David Causby, Charles Webber, Violet Arth and Emilie Bullock.; City Manager Rick Howell, MPA, ICMA-CM, Assistant City Manager Justin S. Merritt, MPA, City Clerk Carol Williams, Director of Human Resources Deborah (Deb) Jolly, Police Chief Jeffrey (Jeff) Ledford, Fire Chief William Hunt, MPA, EFO, Director of Planning and Development Services Walter (Walt) Scharer, AICP, City Attorney Andrea Leslie-Fite

Absent: Council member David White

Mayor Anthony called the meeting to order at 12:12 p.m.

A. Budget Session: General Fund

Mr. Howell stated that the Utility Funds that were discussed a few weeks ago are all balanced and he will get those budgets to Council by Friday, May 27th. Mr. Howell began his presentation of the General Fund revenues and expenditures by stating this budget is not yet balanced and adjustments will be complete by Friday, May 27th as well. The presentation and all handouts are hereby incorporated by reference and made a part of these Minutes.

GENERAL FUND

Mr. Howell stated that the overview of the General Fund will include a description and explanation of revenue sources, breakdown of major revenue streams, discussion of significant budget drivers, description and explanation of services provided, and breakdown by utility department and function.

Utilizing charts and graphs, Mr. Howell provided a summary, description, and explanation of the revenue categories within the City's General Fund.

General Fund Revenue Categories:

- Property taxes levied on real, personal, motor vehicles and public service companies represent 46 percent of our revenue
- Local Option Sales Taxes has grown to 20 percent
- Transfers from other funds is around 11 percent
- Sales and Service charges and fees is about 10 percent
- Capital Financing Sources is 4 percent
- Permits, Fees, Investment Revenue, Restricted Intergovernmental Revenue and Other taxes finish out the revenue categories.

Mr. Howell discussed the changes in the revenue sources and mentioned the \$825,000.00 increase in Local Option Sales Taxes, this is due to being conservative with the amount last year. Mr. Howell proposed a \$1.10 increase in the fee schedule for the Solid Waste collection fee per residential customer. Mr. Howell stated this is the only change proposed in the General Fund.

General Fund revenues are increased 3.6 percent for Fiscal Year 2023.

Major General Fund Revenue Streams

- **Ad valorem property tax includes two components: Tax Base and Tax Rate (per \$100 of valuation set by City Council)**

The components of Tax Base include assessed valuation of all real and personal property as provided by the Cleveland County Tax Assessor

Tax Levy equals Tax Base valuation multiplied by the Tax Rate

Current tax rate is 51.75 cents per \$100 valuation and that will stay the same in this year's budget.

Mr. Howell presented the Property Tax Rate Comparison of Municipalities (peer cities) with Comparable Populations graph chart as of July 1, 2021

Mr. Howell also presented the Property Tax Rate Comparison of Neighboring Municipalities graph chart as of July 1, 2021

- **Local Option Sales Taxes (Articles 39, 40, 42, 44)**

Generates approximately \$3.7 billion annually statewide

Cleveland County and municipalities receive approximately \$33,000.00 annually in gross collections

The City of Shelby now receives approximately \$5 million plus a hold harmless amount

Levied by County Commissioners as allowed by NC General Statute

County Commissioners determine how sales tax is distributed by NC Department of Revenue; the current method remains as ad valorem distribution, which amounts to about 13.70 percent to the City of Shelby

- **Utilities Sales Taxes – The Department of Revenue quarterly distributes sales tax from four separate utilities – electricity, piped natural gas,**

telecommunications to cities, and telecommunications service and video programming service to counties and cities.

Mr. Howell presented the General Fund revenues comparison between the current Fiscal Year 2021-2022 and the proposed Fiscal Year 2022-2023, showing a 3.6 percent change for an overall increase of \$1,035,837.00.

Mr. Howell projected the amount of utilities sales taxes to be distributed at approximately \$2 million per year. This amount does not vary much as it is based on statistical data and a statewide formula.

General Fund Expenditures

Regarding General Fund expenditures, Mr. Howell provided and summarized charts by category including personnel, operating, capital, debt service and allocations. Mr. Howell commented the overall amount of change for General Fund expenditures is an increase of 6.09 percent or \$1,754,522.

Mr. Howell indicated most of the increase in expenditures is for personnel. He reminded Council about the proposed 5% market rate adjustment for employees, and the implementation of year 1 of the 3-year adjustment of the City's positions (sworn Police officers, Water Resources, and Electric employees are included in year 1).

An increase of \$372,176 in operating spending is reflected in the budget which includes the increase in fuel costs.

A decrease in capital spending of \$664,963 is reflected in the budget due in part to last year the City bought a new fire truck.

An increase in debt service payments of \$102,000 is also reflected in the General Fund budget.

Mr. Howell reviewed the General Fund Expenditures by Department stating that some numbers may look a bit skewed but it's because allocations have increased in that department. The percent of increase in expenditures is shown as 6.09 percent.

In further review, Mr. Howell explained:

- Public Safety makes up over half of the expenditures
- Special Appropriations includes individuals who retire from the City with 22 or more years of continuous, uninterrupted full-time service and are eligible to retire. These individuals may continue with the City's health insurance plan without charge to the employee until the retired employee reaches Medicare eligibility. Mr. Howell stated the City currently has 57

retirees on health insurance and anticipates a gradual reduction of that number in the coming years.

- Human Resources shows an increase in personnel by 31 percent which reflects the addition of an employee to assist with recruitment and retention. Mr. Howell stated this position is much needed as this department is understaffed and recruitment and retention are important as the City tries to stay competitive.
- Police budget shows an increase in capital due to the purchase of radios. Many of the radios bought 10 or 12 years ago have aged out and need to be replaced. Handheld radios can cost between \$3,000 - \$5,000 each. The City is getting rid of some radios in certain departments, like Public Works, where a cell phone works as well and is cheaper to use.
- Fire and Rescue Department budget reflects two new full-time positions and an elimination of part-time positions. Mr. Howell stated it is a cost savings and easier to hire and retain full-time positions.
- Public Works Department shows an increase in operating costs due to the amount of fuel the department uses.
- Planning Department shows a decrease in capital because last year that department purchased a vehicle.
- Park Maintenance Department shows an increase in capital due to the purchase of a few mowers and other equipment.
- Airport is close to being self-sustaining with the increase in the number of T-Hangar spots and fuel sales.

Mayor Anthony asked how many unfilled positions does the City have currently. Mrs. Jolly responded that the City has 34 full-time vacancies, and we have 2 retirements happening soon, approximately 10 percent of our workforce. Mr. Howell stated this number fluctuates year to year. Mr. Howell commented that these positions are necessary and need to be filled even if it's taking us longer finding the right person. Mr. Howell further commented that we are not at the point where we do away with the unfilled positions, but he understands the Mayor's thought process and it is something to consider in the future, but not now.

Mayor Anthony initiated a discussion about the use of cameras to help reduce crime. Chief Ledford stated the City has an infrastructure of cameras in high crime areas, but technology will never replace police officers. Chief Ledford further stated that more cameras are budgeted.

Mr. Webber stated he supports the hiring of a Retention and Recruitment specialist, and it is a good use of our money.

Mr. Hopper stated we are in the business of sustaining this City and it takes creativity to accomplish our goals efficiently.

Mr. Howell concluded by stating he will have his budget message narrative, the

budget ordinance, supplemental ordinance, and updated fee schedule to Council by Friday, May 27th and the Public Hearing will be on Monday, June 6th.

Adjournment:

1) Motion to adjourn

ACTION TAKEN: Upon a motion made by Mr. Hopper, City Council voted unanimously to adjourn the meeting at 1:35 p.m.

Respectfully submitted,

**Carol Williams
City Clerk**

**O. Stanhope Anthony III
Mayor**

Minutes of May 23, 2022