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Office of City Manager

## *Budget Message from the City Manager*

May 15, 2023

The Honorable Raleigh York, Jr, Mayor  
Members of the City Council  
Citizens of Thomasville  
Thomasville, North Carolina

Dear Mayor York and City Council:

It is my pleasure to formally present the City of Thomasville's recommended Fiscal Year 2023-2024 budget for your review and consideration. The document serves as a resource allocation plan that meets the requirements of Section 159-11 of the North Carolina General Statutes by being balanced and prepared under the principles and rules of the Local Government Budget & Fiscal Control Act and the City's Fiscal Policy currently in effect.

The proposed budget meets the vision of City Council to "**Build a Better Thomasville Together.**" The budget presented is balanced in the amount of \$49,526,223. It is allocated as follows:

General Fund	\$31,900,107
Water/Sewer Enterprise Fund	\$14,625,083
Winding Creek Golf Course Fund	\$965,952
Storm Water Management Fund	\$103,380
General Capital Reserve Fund	\$0
Water/Sewer Capital Reserve Fund	\$0
School Fund	\$1,772,201
Police Restitution & Forfeitures Fund	\$100,400
Beautification Fund	\$45,100
Cemetery Fund	\$14,000
Reservoir Fund	\$0
<b>Total</b>	<b>\$49,526,223</b>

The proposed tax rate is \$0.62 per \$100 of assessed valuation, the same as last year.





The proposed budget has been filed with the City Clerk for public viewing. In addition, a budget summary is available on the City's website at [www.Thomasville-NC.gov](http://www.Thomasville-NC.gov).

## **BUDGET PROCESS**

The budget process began in October of last year, with staff developing their proposed capital purchases of equipment and facility improvements. This was then integrated into a citywide Capital Improvement Plan that was reviewed and approved by City Council.

In February, the City Council held a two-day retreat to establish priorities and discuss issues facing the community.

This was followed-up by the City Manager's office with meetings with Department Managers that outlined the goals of the Council and established the Manager's intent to focus on the following areas:

-  How do we *Serve the Community* through the department (customer focused);
-  How do we *Run the Operations* efficiently and effectively (internal business processes);
-  How do we *Manage our Resources* to ensure that our infrastructure is being maintained while preserving and enhancing our financial position (finance); and,
-  How do we *Develop our Personnel* through informal and formal training opportunities (learning and growth).



## **KEY HIGHLIGHTS**



There is no proposed property tax increase this year, keeping it unchanged at \$0.62 per hundred dollars of valuation. The City school tax remains unchanged at \$0.195 per one hundred dollars of property valuation.

At the direction of City Council, the budget proposes a \$10 increase in the annual Vehicle Tax (\$20 total) to be allocated for public transportation and additional funds for street maintenance.

The proposed budget recommends an average water/sewer utility rate increase of 4.75% based upon the 2022 rate study recommendations.





### *PROJECTS AND INITIATIVES*

-  Implement the recommendations of the 2022 pavement condition analysis for improving City streets and sidewalks.
-  Continue water/sewer infrastructure projects.

-  Implement projects funded through the American Rescue Plan Act (ARPA) to improve community facilities, support community and economic development opportunities.
-  Focus on hiring and retention of employees to provide the services necessary to protect and enhance the health, safety, and quality of life of Thomasville citizens.

*PERSONNEL*




Employees are the lifeblood of the City, providing all of the essential services necessary for the community. A well-trained and qualified workforce is critical to developing and maintaining a high quality of life for the citizens. The City Council expressed concerns about the increased costs of living, and the low salaries within the City pay plan. The Council directed the City Manager to develop a plan that would address these concerns.







-  The budget recommends a modified COLA increase of 2.5% for employees whose salaries are over \$40,000 and an annual increase of \$1,000 for those making less than \$40,000. The \$1,000 amounts to a 2.5-4% COLA increase for 29% of the City workforce.
-  Employer-provided employee health insurance premiums are increasing 4%. New this year, the City is providing a reduced rate for employee dependents, which was a concern identified in the recent employee survey.
-  Employer-provided contribution to the Local Government Employees Retirement System (LGERRS) is increasing 0.75% to 12.91% for General & Firefighter Class; and a 1.0% increase to 14.04% for Law Enforcement Class.
-  Two new, full time, positions are proposed: Sanitation laborer and Parks & Recreation laborer in the General Fund. A new part-time Park Ranger (Police Officer) is also funded.

*CAPITAL*




In November 2022, the City Council approved the expenditure of unallocated ARPA funds (\$1,813,148) to purchase vehicles and equipment that were identified in the Capital Improvement Plan. In so doing, the City will not incur debt next fiscal year, saving thousands of dollars in interest payments.

RECOMMENDED CAPITAL FOR VEHICLES AND EQUIPMENT – GENERAL FUND


-  (4) Host servers (MIS Dept.)
-  (1) Bi-directional amplifier for to improve radio coverage (Police Dept.)
-  (5) Patrol vehicles (Police Dept.)

-  (1) Generator - Station 23 (Fire Dept.)
-  (1) Pickup truck (Operations/Command) (Fire Dept.)
-  (1) Robotic surveying instrument (Engineering Dept.)
-  (1) Rear load garbage truck (Public Works Dept.)
-  (1) Dump truck (Public Works Dept.)
-  (1) Knuckle boom loader (Public Works Dept.)

#### VEHICLES AND EQUIPMENT – WATER & SEWER FUND

-  (1) Jetter/Vacuum truck (Maint./Const. Dept.)\*
-  (1) Dump truck (Maint./Const. Dept.)\*
-  (1) Front loader (Maint./Const. Dept.)\*

#### WINDING CREEK GOLF COURSE FUND

-  (72) Replace Golf Carts (Winding Creek Golf Course)

## BUDGET OVERVIEW

### *Major Funds*

The budget includes three major operating funds. The budget message will focus most on these three funds.

The largest is the **General Fund**, which includes Public Safety (Police & Fire), Public Works, Recreation, Planning & Inspections, Engineering, MIS, Finance, Human Resources, and Administration.

The City also has two enterprise funds, which are self-supporting government funds that sell goods and services to the public for a fee.

**The Water & Sewer Utility Enterprise Fund** includes the Water Plant (raw water pumping station, three elevated storage tanks, and one booster pumping station), Waste Water Treatment Plant, 31 sewer pumping stations, Meter Services, Billing and Collections, and the Maintenance and Construction division which maintains all water and sewer lines throughout the City.

The third Major Fund is the **Winding Creek Golf Course Enterprise Fund**.

Winding Creek is an 18-hole municipal golf course with a driving range and clubhouse that provides a local, affordable, recreational activity for the community. The City Council has made the decision to integrate Winding Creek into the Parks & Recreation Department and close out the enterprise fund by June 30, 2024.

### *Minor Funds*

The budget also includes minor funds for specific purposes, including the Storm Water Management Fund, School Fund, Police Restitution & Forfeitures Fund, General Capital Reserve Fund, Sewer & Water Utility Capital Reserve Fund, Beautification Fund, Cemetery Fund, and Reservoir Fund.

## **GENERAL FUND**

### **Revenues**

#### *Ad Valorem Property Tax & Annual Vehicle Tax*

Ad Valorem Property Tax revenue is one of the few sources of revenue completely controlled by the City. Only the City Council has the authority to establish a property tax rate, and no other governmental unit may appropriate the funds for their own use. It includes real property, personal property (including machinery and equipment), vehicles, and public utilities such as gas or electric companies.

Davidson County collects the tax on behalf of Thomasville as part of an inter-local agreement.

Property taxes make up 47% of General Fund revenue and are estimated at \$15,120,238, based on \$.62 per \$100 valuation with a property tax collection rate of 96.73% (a collection rate decrease of 1.56%). The total taxable valuation of all property in the City of Thomasville is \$2,064,728,707.

#### *Sales and Use Tax*

All 100 counties levy Article 39, 40, and 42 local option taxes. Sales taxes are distributed from the State to the municipalities on a monthly basis. Sales taxes have continued to be strong, which can be partially attributed to increased internet sales due to the effect of the pandemic. Sales taxes make up 27.0% of the General Fund revenues or \$8,584,868.

#### *Utility Franchise Tax*

Utilities that do business within Thomasville pay a franchise tax to the State that is distributed to the City on a quarterly basis. The budget projects revenues at \$1,835,000, which is 5.8% of the General Fund revenue.

#### *Powell Bill*

Powell Bill revenues are funds shared by the State from the NC gasoline tax for the purposes of maintaining, repairing, and building municipal streets and sidewalks. The allocation method is based on the amount of state-wide tax collected, the number of City-maintained street miles within each municipality, and the population of the city. Funds may be reserved for future use, but they must be used within a short period of

time or risk the State reducing future funding. Funds may only be used for specific purposes, which must be documented annually.

Powell Bill distribution is 2.4% of General Fund revenues, estimated at \$764,020.

### *Other Revenues*

Utility Reimbursement to the General Fund for services rendered represents 4.3% of the General Fund revenue at \$1,369,600.

The Solid Waste disposal fee represents 3% of General Fund revenue. The monthly fee per household is \$7.25, the same as last year. This fee is to offset the operational costs of the sanitation division and county tipping fees charged to the City. Total revenue generated from this fee is \$952,232.

Planning & Inspection permits and fees represent 1% of General Fund revenue. The total estimated revenue is \$330,988.

Recreation revenues have recovered from the shutdowns forced upon operations due to the pandemic. Revenues make up 0.5% of General Fund revenues at \$146,000. It is expected that revenues from recreational rentals will increase when the Aquatic & Community Center begins operations.

Installment Financing will not occur this fiscal year. Thomasville's Financial Policy allows funding of capital from unreserved fund balance in excess of 24%. The budget proposes using \$521,248 for pay-as-you-go capital purchases.

Other tax and fee revenues amount to 3.3% of the General Fund for a total of \$1,061,281. This includes revenues from the Hotel Occupancy taxes of \$225,000, of which 95% is transferred to the Tourism Commission. ABC revenues have continued to be strong, estimated at \$501,000.

Other revenues are 3.8% of General Fund revenue, including interest revenues that have significantly increased due to Federal Reserve interest rate increases over the past year.

### **Expenditures**

Salary and benefits for our employees total \$18,718,227 or 58.7% of all expenditures. As explained above, a modified COLA adjustment of 2.5% is included for all full-time employees. No across-the-board merit increase is included in the budget. Employee health insurance premiums increased 4%. The City provides 100% coverage for employees for medical and vision, and allows the employee to purchase dental benefits on a group plan. There are no positions frozen, and there are no anticipated furloughs this coming year.

The Employer's share of the retirement system contribution increased 0.75% to 12.91% for general employees and increased 1.0% to 14.04% for law enforcement.

Operating expenses are 28% of all General Fund expenditures totaling \$9,059,684. The total debt service is 8.8% of expenditures or \$2,795,516.

Capital expenditures to address needed equipment and facilities total 1.1% of all expenditures at \$362,000.

### **General Fund Reserve Accounts**

Due to the continued effects of the pandemic, the budget continues the freeze on the General Fund Capital Reserve contribution.







The budget includes funding of the Economic Development reserve account in the amount of ½ cent of the tax rate (\$110,117).

The City Council increased the existing Recreation reserve account in fiscal year 2022, increasing it to three cents; this set-aside will raise \$660,705 for recreation projects, of which \$527,370 will be used for principal and interest payments for the new Aquatic Center.

The City Council set aside a one-cent Street Maintenance reserve account in fiscal year 2022. This will raise \$220,235 that will be available for street and sidewalk maintenance projects.

## **WATER & SEWER UTILITY ENTERPRISE FUND**

The City owns and operates public water treatment and transmission/distribution facilities, and wastewater treatment, collection/transmission and disposal facilities providing utility services to both residential and non-residential customers within the City limits, as well as surrounding unincorporated areas. As part of its ongoing strategic and capital planning measures, the City commissioned a Water and Wastewater Rate Study to analyze the revenue sources and expenditures of the utility system and provide recommendations for proposed rate and/or rate structure adjustments to meet the financial and administrative goals and objectives of the City. The primary objectives of the rate study include:

-  Full cost recovery (i.e. operating costs, debt and other expenditure requirements);
-  Cost-based rate structure;
-  Consistency with industry standards;
-  Equity among customer classes;
-  Administrative efficiency (i.e. easy to understand and implement); and
-  5-Year capital funding plan.

In order to meet the objectives outlined above, the proposed rates for water and wastewater services will increase 4.75%. Based on the proposed rates, a typical

customer with monthly usage of 4,000 gallons per month will experience an increase of \$4.19 in their combined water and wastewater bill.

**Revenues**

Revenue in this fund is expected to increase slightly due to the proposed rate increase, as indicated in the most recent Water and Sewer Rate Study (2022). Of the total revenue of \$14,625,083, over \$13.4 million is generated by the retail sale of water and/or sewer to utility customers.

The City has an interlocal agreement with the City of Trinity to process their sewer discharge. Annually, Trinity pays \$498,169 for the debt service of our Sewer Plant upgrades.

**Expenditures**

Expenses from salaries are 24% of total expenses in the amount of \$3,514,718. The same modified COLA salary adjustment of 2.5% is included for all full-time employees.

Operational expenses are 36.4% of total expenses in the amount of \$5,319,676.

Debt service is 28% of total expenses or \$4,091,089.

Reimbursement to the General Fund is 9.4% of total expenses or \$1,369,600.

Capital investments are 2.3% of total expenses or \$330,000.

**Water & Sewer Utility Fund Reserve Account**

Due to the continued effects of the pandemic, the budget continues the freeze on the Water & Sewer Capital Reserve contribution.

**WINDING CREEK GOLF COURSE ENTERPRISE FUND**

Winding Creek Golf Course is an 18-hole golf course owned by the City and managed as a separate enterprise fund. The facility includes the course, driving range, and clubhouse that provides a local, affordable, recreational opportunity for people of all ages. Local schools use the course for their golf teams, and many different senior groups play the course weekly. Each year, it hosts a number of tournaments, including the Mayor’s Cup, which raises funds for area non-profits.

The City Council has made the decision to integrate the golf course with the City’s Parks & Recreation department. Management transition will occur July 1, 2024. The enterprise fund will be closed by June 30, 2024.

**Revenues**

Total revenues are projected to be \$965,952. Greens fees will increase April 1, 2024 by \$1 on weekdays and \$2 on weekends. General Fund support of the Golf Course is



\$144,267, a reduction of \$37,595 from last year.

**Expenditures**

Total expenditures are \$965,952 with salaries and benefits equaling 63.2% of the total expenses (\$610,719). Full-time employees of the Golf Course will receive the same 2.5% modified COLA and benefits as other City staff.

Operating expenses are 36.8% of all expenses, totaling \$355,233.

Debt Service is 0% this year.

Capital Outlay is 0% of total expenses, ARPA funds were utilized to purchase new golf carts in FY23.

**AMERICAN RESCUE PLAN ACT FUNDS**

On March 11, 2021, the United States Congress passed the American Rescue Plan Act of 2021 (ARPA), which provides fiscal relief funds to State and Local governments and other program areas aimed at mitigating the continuing effects of the COVID-19 pandemic. ARPA intends to provide support to local governments in responding to the impact of COVID-19 on their communities, residents, and businesses and in their efforts to contain COVID-19. These funds are in a separate project fund and are not included in the annual budget presented herein.

The City of Thomasville received a total of \$8,492,968, distributed in two tranches or portions (August 2021 and August 2022). The majority of the funds have been either expended or are encumbered for specific projects in various departments. If projects finish under budget, funds will be returned to the ARPA project fund for re-allocation by City Council.

<b>Dept.</b>	<b>Total \$</b>	<b>%</b>	<b>Comments</b>
<b>New Positions</b>	\$611,053	7.2%	Finance Analyst & Downtown Economic Developer
<b>Employee Sup</b>	\$1,030,978	12.1%	Retention Payments, Vaccine Payments
<b>Police</b>	\$646,466	7.6%	Equipment; Vehicles; Command Center
<b>Comm. Dev.</b>	\$950,000	11.2%	Redevelopment of Kern Street School Property
<b>Golf Course</b>	\$565,134	6.7%	Golf Carts; Driving Range Improvements; New Bathroom Facility
<b>Parks &amp; Rec</b>	\$1,342,938	15.8%	TACC Improvements; Park Parking Lot Improvements; Playground Improvements
<b>MIS</b>	\$692,377	8.2%	Equipment; Software Upgrades; Public WiFi Improvements
<b>Fire</b>	\$223,042	2.6%	Equipment; Vehicles; Upgrades to EOC; Weather Station
<b>Engineering</b>	\$40,000	0.5%	Equipment

<b>Public Works</b>	\$510,000	6.0%	Vehicles
<b>W/S M/C</b>	\$528,945	6.2%	Vehicles; Equipment
<b>W/S Capital</b>	\$1,111,500	13.1%	Sewer Upgrades; Engineering Services; Capital Improvements
<b>Unallocated</b>	<b>\$240,535</b>	<b>2.8%</b>	<b>Council Approval Required</b>
<b>Total</b>	<b>\$8,492,968</b>	<b>100%</b>	

**OTHER AGENCIES FUNDED**

Each year, the City Council funds Outside Agencies, as allowed by State law, which perform activities that are beneficial to the citizens of Thomasville. Each organization must meet certain reporting requirements to insure the proper use of the funds. The following agencies are funded this year, accounting for 0.4% of the General Fund:

PACE Group	\$33,000
City Beautification Commission	\$45,000
Davidson County Economic Development	\$50,000
MLK Peace Conference	\$1,000

The City charges a Thomasville City School Supplemental School Tax of \$0.195 that generates \$1,772,201. This is a decrease of \$132,865 from the previous year, due to a significantly lower tax collection rate of 88.22% (-6.81%) within the school district. These funds are transferred to the Thomasville City Schools to support the operations of the school system.

**CONCLUSION**

The total combined recommended budget for fiscal year 2023-2024 for all City personnel, operations, equipment, capital improvements and debt service is \$49,526,223. This is the sum of 11 funds. A summary of the departments is included on the following pages for each department of the General Fund, Water & Sewer Utility Fund, Winding Creek Golf Course Fund, and the minor funds included in the budget. Additionally, the detailed budget includes information provided by the departments for each of their expenditure line items.

Thomasville is blessed with a strong and loyal workforce that truly wants to provide its citizens with quality services. The budget, if fully implemented, provides the resources necessary for them to maintain, and even expand, service levels our citizens have come to expect. I look forward to working with Council and staff as we serve the community and work toward meeting the vision of ***Building a Better Thomasville Together.***

While this budget is the proposal of the City Manager, it is neither final nor necessarily a reflection of what will be approved by the City Council. Once adopted, the budget may be amended by City Council at any regular or special meeting. The Mayor and Council will review the recommended budget and receive comments at a public hearing scheduled for Monday, June 5, 2023 at 6:00 PM at the new City Council chambers at the Aquatic & Community Center, 20 Stadium Drive, Thomasville, 27360.

I would like to thank the City Council, Department Managers, and staff for their hard work and support while developing this budget. I especially want to thank Thomas Avant, Finance Director, and Eric Krpejs, Assistant Finance Director, for the many hours of work they have undertaken to ensure the accuracy and completeness of this budget document.

If you have any questions concerning this budget proposal, please do not hesitate to contact me.

Respectfully Submitted,

*Michael Brandt*

Michael M. Brandt, AICP  
City Manager