



Office of the City Manager

May 20, 2024

The Honorable O. Stanhope Anthony III, Mayor
Members of the City Council
Shelby, North Carolina

Mayor Anthony and Members of the City Council

Pursuant to Section 159-11 of the North Carolina General Statutes, attached is my recommended FY 2024-25 budget for your review and consideration. I also want to thank all of the management team for their hard work and attention to detail. They remain steadfastly committed to providing accurate and detailed information that allows me to present a realistic and pragmatic budget. These people work tirelessly to produce budget requests that are responsible and allow them to continue to deliver the expected high-quality service to our citizens and customers. They have been very responsive to the direction of management and City Council.

City Council also provided me with direction at your 2024 Council retreat reaffirming past goals and priorities. These goals and priorities were communicated with the understanding that successful achievement will lend itself to realization of what was envisioned in the Strategic Growth Plan approved by Council in 2005 as well as specific plans adopted by Council since. Many of these goals involve capital projects which are proposed to be funded using reserves and recurring revenue from the respective general and utility enterprise funds. Some of these are one-time expenditures that spend down savings in order to meet a defined capital need. Some are recurring capital investments that the City must continue to make year after year. This includes a continuing commitment to investment in water, sewer, electric, natural gas, building and transportation infrastructure.

The City must be vigilant in addressing infrastructure challenges facing the City but proceed in a thoughtful and careful manner with these projects. The need to invest in the City's future must be accompanied and tempered with the full knowledge that new operational costs come with some of them. It makes little to no sense to expend capital and then not meet the annual operational needs to maintain it in a high-quality manner.



Office of the City Manager

The budget is balanced and meets all the applicable requirements of the North Carolina Local Government Budget and Fiscal Control Act. A public hearing will be scheduled as required by NC General Statute 159-12 for your regular meeting of June 3, 2024, at the *Don Gibson Theatre*. Following the closing of the hearing the City Council may take action on the proposed budget. The budget must be adopted by City Council prior to June 30, 2024. As the designated budget officer (NCGS 159-9) it is the responsibility of the City Manager to give the governing board a balanced and fiscally responsible budget that sets forth appropriate funding levels in order to provide services to citizens at desired levels as determined by City Council. I take this very seriously as it annually has implications on the day to day lives of our citizens and businesses.

It should go without saying that the budget adoption is the most important annual fiscal policy decision that City Council will make. The provisions of the NC General Statutes and the City Charter make it clear that City Council shall adopt a balanced annual budget for each fund to provide adequate resources for those services that it wishes to provide to its citizenry. It is the basis from which I make day to day decisions on how services are provided to the citizens of Shelby throughout the year. There continue to be numerous challenges facing the City that affect our ability to serve citizens, residents, and customers today and into the future.

Introduction

The following information contains my final recommendation for the City Budget for the year beginning July 1, 2024, and ending June 30, 2025. These recommendations are impacted by a thorough process that considers department requests, management evaluation of those requests as well as an informed dialog between management and the departments. The process also considers guidance and recommendations from the Mayor and City Council provided during the annual retreat as well as budget workshops.

Overview of Budgetary Funds

As you know the City maintains in accordance with the NC Budget and Fiscal Control Act a number of budgetary Funds including the General, Electric, Natural Gas, Water, Sewer, Powell Bill (Streets), Public Housing and Stormwater. These funds are set up for fiscal and accounting purposes with a self-balancing set of accounts for the purpose of carrying out specific activities or attaining certain objectives. The City's budget includes eight (8) major governmental and enterprise funds. The table below summarizes the budget for each City Fund and the total of the balanced budget. I would note that the overall proposed budget of \$95,286,141 is a 1.1% net decrease (\$1,144,689) from the current fiscal year adopted budget of \$96,330,830. The net decrease can be largely attributed to the reduction in capital spending, a one-time transfer to electric capital reserve as well as some reduction in debt service.



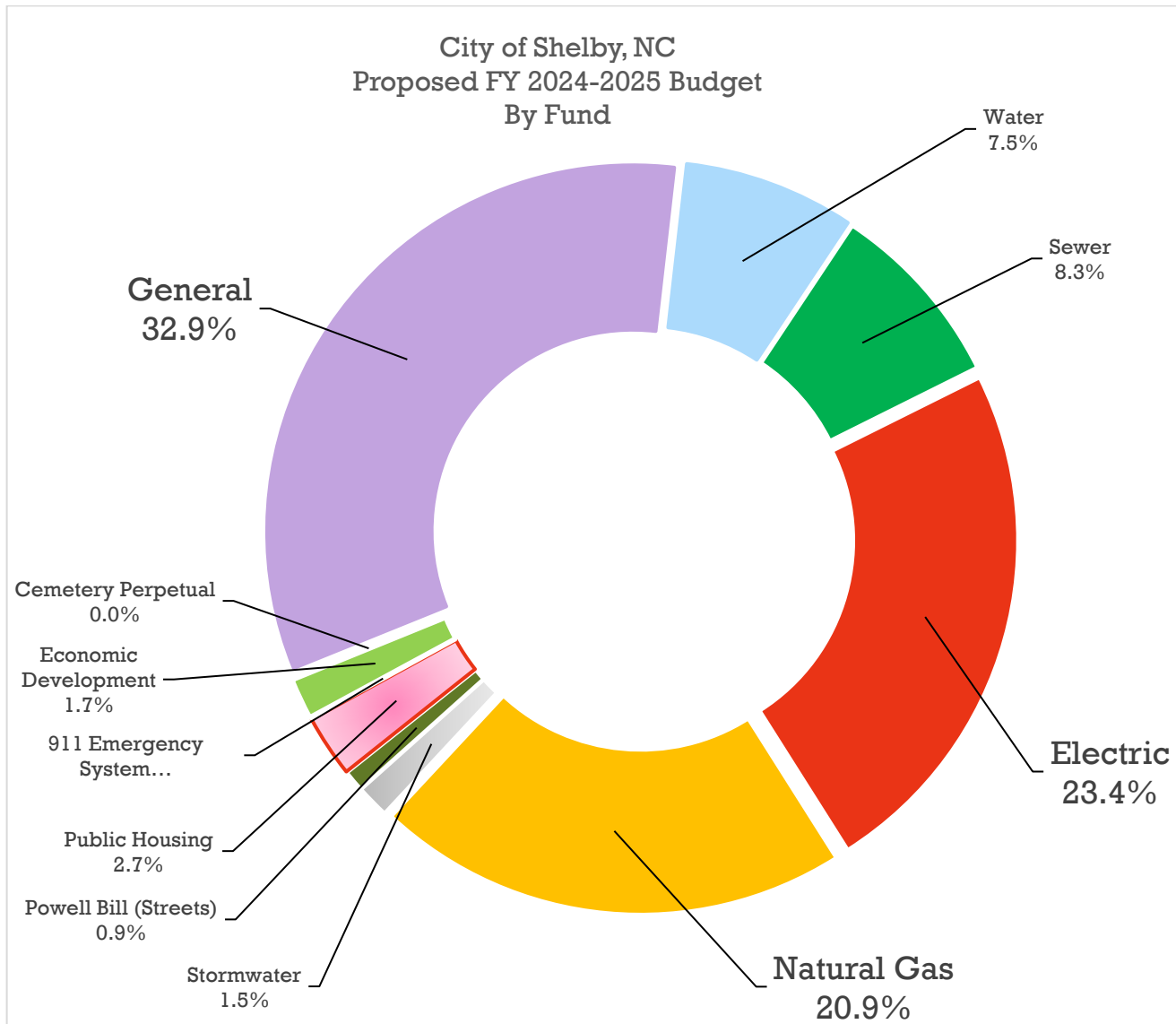
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City of Shelby – Budget Summary

All Funds

City of Shelby, NC	Original	City Manager		
Budget	Budget	Recommended	Amount	%
All Funds	FY 2023-2024	FY 2024-2025	Change	Change
General	\$34,764,753	\$34,469,885	-\$294,868	-0.8%
Water	\$6,656,332	\$7,888,806	\$1,232,474	18.5%
Sewer	\$6,988,769	\$8,696,320	\$1,707,551	24.4%
Electric	\$21,262,000	\$24,474,271	\$3,212,271	15.1%
Natural Gas	\$25,144,462	\$21,898,730	-\$3,245,732	-12.9%
Stormwater	\$919,527	\$1,519,000	\$599,473	65.2%
Powell Bill (Streets)	\$701,225	\$961,378	\$260,153	37.1%
Public Housing	\$2,736,183	\$2,859,010	\$122,827	4.5%
911 Emergency System	\$70,279	\$78,027	\$7,748	11.0%
Economic Development	\$728,300	\$1,828,062	\$1,099,762	151.0%
Cemetery Perpetual	\$36,000	\$40,000	\$4,000	11.1%
Subtotal All Funds	\$100,007,830	\$104,713,489	\$4,705,659	
Less Interfund Transfers	\$3,677,000	\$9,427,348*	\$5,750,348	
Total Expenditures All Funds	\$96,330,830	\$95,286,141	-\$1,044,689	-1.1%
Total Revenues All Funds	\$96,330,830	\$95,286,141	-\$1,044,689	-1.1%

*Notes: Transfer is increased due to the transfer of a one-time electric wholesale power credit to be received by the City in August 2024 from the NCMPA1 in the amount of \$3,400,000. It also reflects transfer from the Economic Development Fund to the various utility funds to pay the debt service for water, sewer and natural gas improvements as part of Project Grizzly (Washburn Switch Industrial Area 2019).

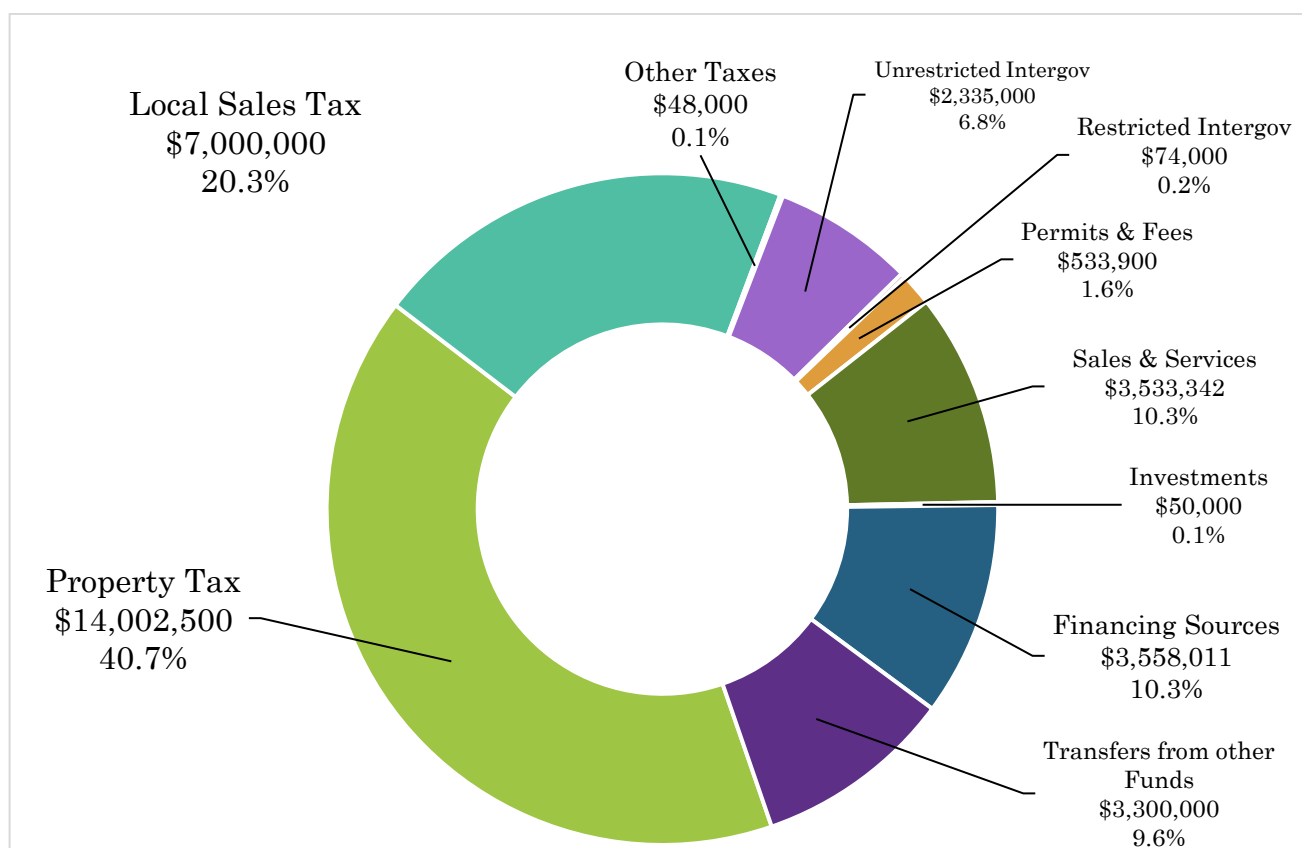


General Fund

The General Fund is the primary location of funding for the general operations of the City. It is termed “general” because transactions that are not related to any utility or other specific purpose fund are accounted for within this budget. The General Fund budget for fiscal year 2024-2025 is \$34,469,885. This is a net decrease of \$294,868 or 0.8% below the previous fiscal year. This decrease is driven largely by a reduction of \$2,638,492 in one-time capital costs from the previous fiscal year that included the purchase of a new 100’ ladder platform truck for the fire department. There are substantial increases that are recurring in personnel costs totaling \$2,071,318. Debt service decreased by \$343,200 as we continue to pay down the cost of building Hanna Park, the 2021 Street/Sidewalk bonds as well as other capital equipment and vehicles.

General Fund Revenues

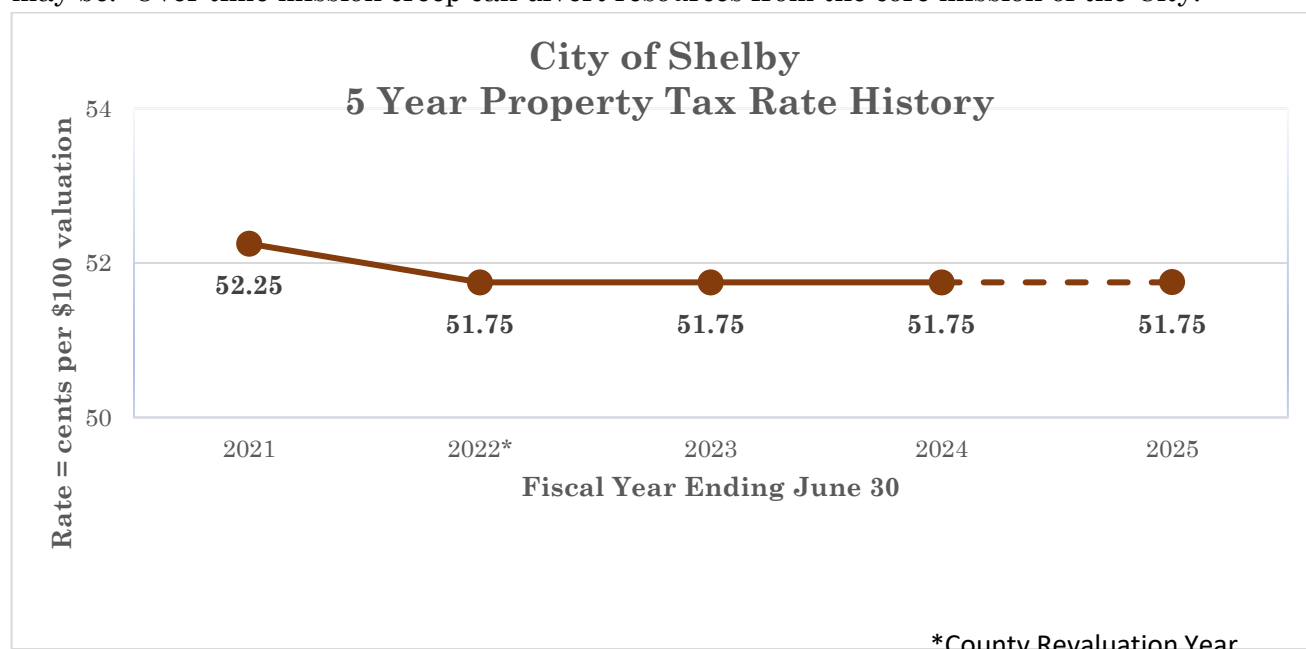
The table below summarizes the City’s operating revenues for the General Fund. The total revenue available for general fund services, excluding inter-fund transfers and the appropriation of fund balance, is \$28,827,076. The budget is balanced with transfers from other funds, \$3,662,224, an appropriation of \$908,066 in fund balance and proceeds from financing of \$1,072,519. General Fund revenues are categorized in several major and minor types. The four major types include 1) property taxes, 2) local option sales taxes, 3) unrestricted intergovernmental and 4) sales and service charges.



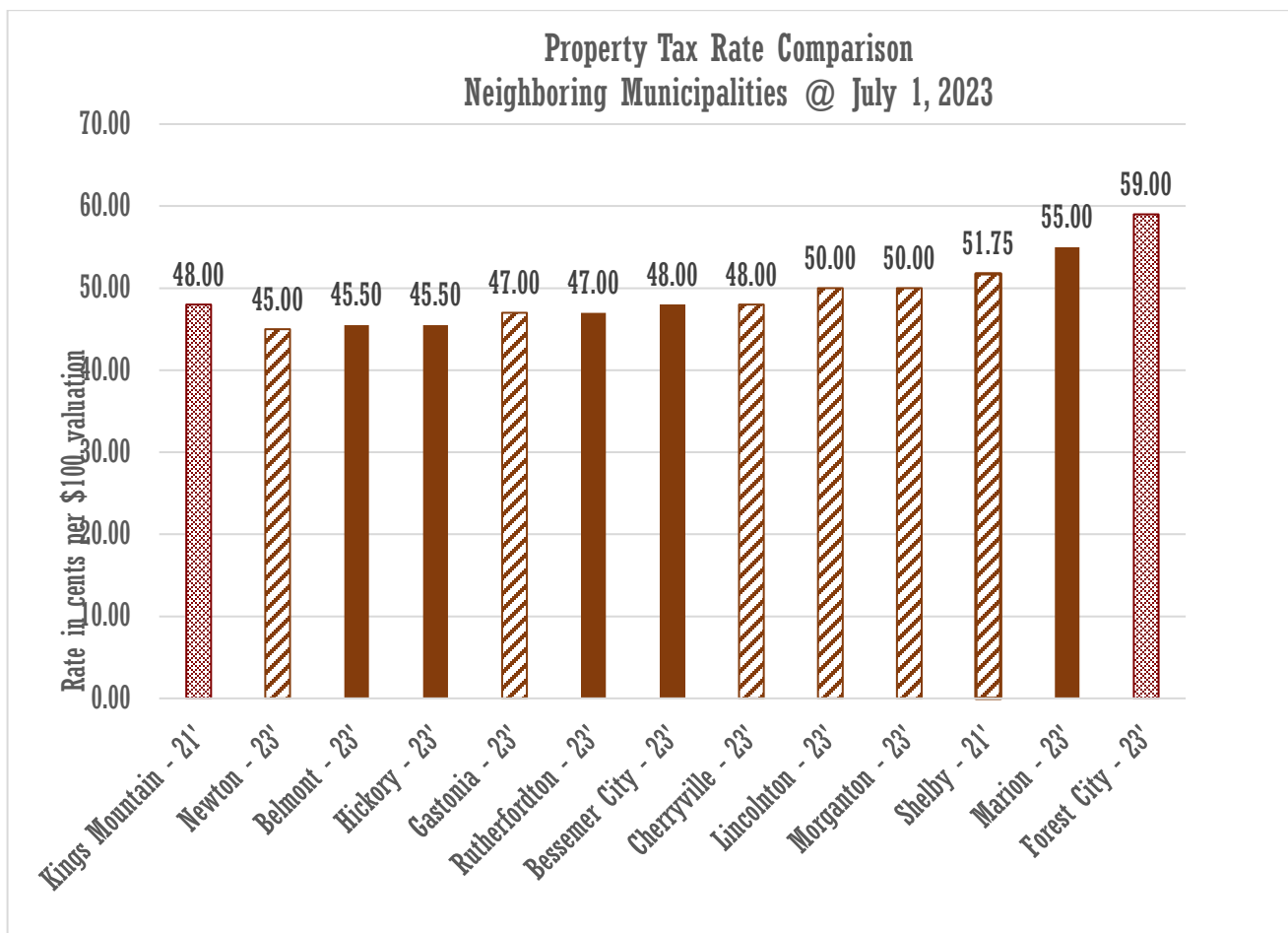
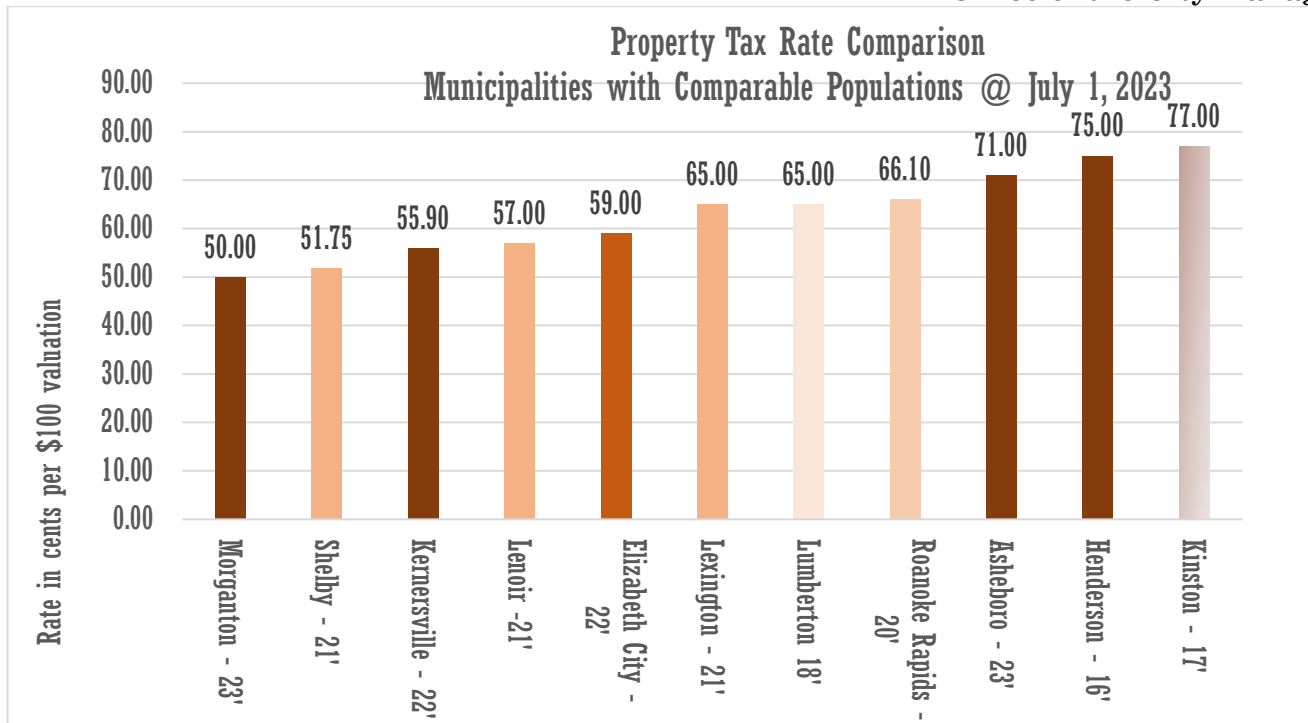
Ad valorem Tax

Ad valorem property taxes constitute the largest revenue source within the general fund. This revenue consists of two components. They are the value of all taxable property (real and personal) as assessed by the County Tax Administrator. It is often referred to as the assessed valuation. The other is the actual tax rate per \$100 of valuation. This rate is controlled by City Council as provided for in the NC General Statutes and can only be adjusted one-time per year through the budget process. The current assessed valuation is expected to be \$2,752,194,732 with the collection rate expected to be 97.74% (up from 98.83%) at the June 30 close of the fiscal year. This revenue makes approximately 40.7% of the total general fund budget. It is recommended that the tax rate be maintained at 51.75 cents per \$100 of valuation.

The recommended property tax rate for Shelby continues to be among the lowest of full-service North Carolina municipalities with populations between 15,000 and 30,000. It should also be noted that Shelby's rate is amongst the lowest in the region. The accompanying charts (See below) are for illustrative purposes. Most of the very few cities whose property tax rates are lower than Shelby's do not provide a comparable level of services. Many of those with higher property tax rates do not make use of significant electric and natural gas utility transfers to supplement the tax rate. The ability to maintain such a low tax rate will depend upon the economy, the future growth in revenue and the willingness to be vigilant in keeping our cost of doing business under control with an attitude toward continuous improvement and efficiency in the delivery of service to our citizens. I have over these many years challenged staff to guard against "mission creep". Mission creep is characterized by the gradual broadening of the original objectives of an organization. Mission creep often comes in the form of good ideas or new programs however minor in cost they may be. Over time mission creep can divert resources from the core mission of the City.



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There are recommended increases in some fees and charges that reflect the increased cost of doing business. An example of this is the increasing cost of landfill tipping fees by Cleveland County. The City has absorbed these fees in the past but this year the budget proposes to pass these costs on to customers. Other fees are also proposed for increase. Many have not been adjusted for more than a decade.

Establishing priorities is critical when you combine these positive revenue trends with the infrastructure projects needed to make Shelby an even better place to do business and to continue to serve our citizens with high quality services. The City must be prepared to openly have the discussion and debate regarding the expectations the citizens have of their City government and what they are willing to do without or continue to pay for now and in the future. Fortunately, the City is in a sound financial position and is as ready as it can be to meet the uncertainties that may follow.

The Mayor and Council have adopted goals and objectives in the past few years that are geared to balancing service delivery citywide to meet basic needs and to progressively address aging infrastructure. This budget recommendation addresses the infrastructure and services associated only with current service levels. It is important to note that while this General Fund budget addresses the basic needs for FY 2024-25 it is still too reliant on transfers of natural gas and electric funds. Holding the line on spending the previous few years has allowed the City to maintain a reasonable general fund reserve for cash flow and emergency purposes. This budget does continue, to a lesser extent, capital purchases and projects.

Reserve funds in all of our utilities are very healthy. Use of these reserve funds should be limited largely to emergency situations, protection of the City's credit rating with bondholders in accordance with our legally binding bond covenants, cash flow for day-to-day operations and capital projects deemed important by City Council. These monies are not limitless and unnecessary use to fund annually recurring operational or expenses only puts the City at enhanced financial risk.

The budget is presented in a format that groups expenditures into major areas: personnel services, operations, capital outlay, debt service, and non-departmental allocations. Management's goal is to develop a results-oriented budget with performance measures in the future rather than just numbers not tied to specific goals and projects.

General Fund Expenditures

- 1) A 2.5% wage increase for all employees is proposed to be effective the first full payroll in July. A second 2.0% wage increase is proposed to be effective the first full payroll period in January.
- 2) Implementation of Year 1 of 3 of the most recent wage market study. This study detailed an analysis and data regarding the market competitiveness of our sworn law enforcement positions and information technology staff. There is an additional 5% wage increase for sworn law enforcement included within this budget.
- 3) The total number of full time General Fund employees increases from 257 to 259 with the addition of new positions in IT and Airport Services.
- 4) Capital spending has decreased by \$2,638,492 but is still at levels to allow the purchase of critical capital equipment and vehicles.

Category	Budget	Budget	Amount	%
	2023-2024	2024-2025	Change	Change
Personnel	23,330,850	25,402,168	2,071,318	8.9%
Operating	7,709,726	8,730,901	1,021,175	13.2%
Debt Service	2,794,000	2,450,800	-343,200	-12.3%
Capital	3,803,011	1,164,519	-2,638,492	-69.4%
Less Allocations	-2,872,834	-3,278,503	-405,669	14.1%
Total	34,764,753	34,469,885	-294,868	-0.8%



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Water Fund

The Water Fund is up (18.5%) or (9.5% when considering one-time appropriations) in overall spending from fiscal year budget 2023-24 (\$6,656,332) to (\$7,888,806) in fiscal year 2024-25. The bulk of the increase is related personnel costs and one-time capital projects

Revenue

A 4% rate increase is recommended for the coming fiscal year in order to meet the noted cost increases. The increase will generate approximately \$250,000 of the new revenue expected. The remaining increase is due to increase in sales volume.

	<u>Original</u>	<u>City Manager</u>		
<u>Revenue</u>	<u>Budget</u>	<u>Recommended</u>	<u>Amount</u>	<u>%</u>
<u>Source</u>	<u>FY 2023-2024</u>	<u>FY 2024-2025</u>	<u>Change</u>	<u>Change</u>
<u>Water Late Fees</u>	<u>\$45,000</u>	<u>\$50,000</u>	<u>\$5,000</u>	<u>11.1%</u>
<u>Proceeds Asset Sales</u>	<u>\$3,000</u>	<u>\$0</u>	<u>(\$3,000)</u>	<u>-100.0%</u>
<u>Water Receipts</u>	<u>\$6,240,000</u>	<u>\$6,723,397</u>	<u>\$483,397</u>	<u>7.7%</u>
<u>Water Tap Fees</u>	<u>\$80,000</u>	<u>\$80,000</u>	<u>\$0</u>	<u>0.0%</u>
<u>Water Cutoff Fees</u>	<u>\$4,000</u>	<u>\$4,000</u>	<u>\$0</u>	<u>0.0%</u>
<u>Interest & Inv Income</u>	<u>\$1,000</u>	<u>\$1,500</u>	<u>\$500</u>	<u>50.0%</u>
<u>Proceeds from Financing</u>	<u>\$104,000</u>	<u>\$236,000</u>	<u>\$132,000</u>	<u>126.9%</u>
<u>County Share Debt Service</u>	<u>\$10,500</u>	<u>\$8,886</u>	<u>(\$1,614)</u>	<u>-15.4%</u>
<u>Other Income</u>	<u>\$4,000</u>	<u>\$4,000</u>	<u>\$0</u>	<u>0.0%</u>
<u>Fund Balance Appropriated</u>	<u>\$164,832</u>	<u>\$410,000</u>	<u>\$245,168</u>	<u>148.7%</u>
<u>Transfer from other funds</u>	<u>\$0</u>	<u>\$371,023</u>	<u>\$371,023</u>	<u>0.0%</u>
<u>Total</u>	<u>\$6,656,332</u>	<u>\$7,888,806</u>	<u>\$1,232,474</u>	<u>18.5%</u>

Expenditures

Notable changes in expenditures are as follows.

- 1) A 2.5% wage increase for all employees is proposed to be effective the first full payroll in July. A second 2.0% wage increase is proposed to be effective the first full payroll period in January.
- 2) Implementation of Year 1 of 3 of the most recent wage market study. This study detailed analysis and data regarding the market competitiveness of our water resources positions. There is an additional 5% wage increase for all water resource personnel included within this budget.
- 3) The total number of full-time Water Fund employees remains at 18.
- 4) Capital spending is increased by \$439,600 for replacements of aging water distribution lines where low fire flow or water quality issues have been identified.
- 5) Debt service has been increased by \$325,900 to reflect the portion owed by the Water Fund for the system improvements that were completed as part of Project Grizzly. These improvements included construction of a new 24" diameter water main from the water plant on Grover Street to the Washburn Switch industrial area as well as a new 750,000-gallon elevated storage tank. This expenditure was previously budgeted as an annual amendment near the close of the fiscal year. This is year 8 of 15 payments due.



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Sewer Fund

The Sewer Fund increases (24.4%) (or 3.8% when you consider one-time appropriations) in overall spending from fiscal year budget 2023-24 (\$6,988,769) to (\$8,696,320) in fiscal year 2024-25. The bulk of the increase in debt service, personnel costs, and one-time capital expenditures.

Revenue

A 4% rate increase is recommended for the coming fiscal year in order to meet the noted cost increases. The increase will generate approximately \$250,000 of the new revenue expected.

	Original	City Manager		
Revenue	Budget	Recommended	Amount	%
Source	FY 2023-2024	FY 2024-2025	Change	Change
Sewer Late Fees	\$45,000	\$50,000	\$5,000	11.1%
Sewer Charge Receipts	\$6,631,769	\$6,890,000	\$258,231	3.9%
Sewer Tap Charges	\$100,000	\$100,000	\$0	0.0%
Grease Trap Insp Fee	\$25,000	\$25,000	\$0	0.0%
Interest & Inv Income	\$1,000	\$1,500	\$500	50.0%
Proceeds from Financing	\$161,000	\$140,000	(\$21,000)	-13.0%
Proceeds from Asset Sales	\$5,000	\$0	(\$5,000)	-100.0%
Other Income	\$20,000	\$30,000	\$10,000	50.0%
Transfer from other funds	\$0	\$505,959	\$505,959	0.0%
Fund Balance Appropriated	\$0	\$953,861	\$953,861	0.0%
Total	\$6,988,769	\$8,696,320	\$1,707,551	24.4%

Expenditures

Notable changes in expenditures are as follows.

- 1) A 2.5% wage increase for all employees is proposed to be effective the first full payroll in July. A second 2.0% wage increase is proposed to be effective the first full payroll period in January.
- 2) Implementation of Year 1 of 3 of the most recent wage market study. This study detailed analysis and data regarding the market competitiveness of our water resources positions. There is an additional 5% wage increase for all water resource personnel included within this budget.
- 3) The total number of full-time Sewer Fund employees remains at 25.
- 4) Capital spending will increase significantly to fund one-time projects that are specific to the replacement and repair with the system to address infiltration and inflow which has resulted in a number of sanitary sewer overflows especially during heavy rain events. These projects were identified by the Asset Inventory Assessment conducted within the last two years. This work is essential for more cost-efficient operations and environmental protection.
- 5) Debt service will increase by \$628,000 due to a budgetary shift showing full payment of the project Grizzly debt directly from the enterprise funds.
- 6) Operating costs increase by \$135,755. due to increases in treatment plant chemicals, energy costs and other inflationary pressures.

	Original	City Manager		
Sewer	Budget	Recommended	Amount	%
Category	FY 2023-2024	FY 2024-2025	Change	Change
Personnel	\$1,974,050	\$2,198,425	\$224,375	11.4%
Operating	\$1,792,695	\$1,928,450	\$135,755	7.6%
Debt Service	\$2,290,000	\$2,918,000	\$628,000	27.4%
Capital	\$454,750	\$1,118,500	\$663,750	146.0%
Transfers	\$5,000	\$5,000	\$0	0.0%
Allocations	\$472,274	\$527,945	\$55,671	11.8%
Total	\$6,988,769	\$8,696,320	\$1,707,551	24.4%

Electric Fund

The Electric Fund is up (15.1%) in overall spending from fiscal year budget 2023-24 (\$21,262,000) to (\$24,474,271) in fiscal year 2024-25. To clarify, this increase is solely due to a one-time influx of capital to be received from the NCMPA1 as a credit on the wholesale power billing the City will receive in August 2024. This credit is generated from the sale of a portion of the NCMPA1 assets and reflects the City's share of that sale. Otherwise, revenue would be down approximately 1%.

Revenue

A retail rate decrease of 3.5% is included in the budget across all rate classes. This follows a 5% rate reduction for FY 2023-2024 and a 3% rate reduction in FY 2022-2023. These reductions were possible due to the reduction in the cost of wholesale power purchased from the NCMPA1 and some minor load growth in the system.

Electric Fund	Original	City Manager		
Revenue	Budget	Recommended	Amount	%
Source	FY 2023-2024	FY 2024-2025	Change	Change
Electric Late Fees	\$110,000	\$135,000	\$25,000	22.7%
Proceeds Asset Sale	\$5,000	\$5,000	\$0	0.0%
After Hours Serv Chgs	\$20,000	\$15,000	(\$5,000)	-25.0%
Electric Charge Receipts	\$19,425,000	\$19,612,671	\$187,671	1.0%
Electric Pole Rental	\$110,000	\$98,000	(\$12,000)	-10.9%
Interest & Inv Income	\$12,000	\$50,000	\$38,000	316.7%
Proceeds from Financing	\$520,000	\$50,000	(\$470,000)	-90.4%
Other Income	\$110,000	\$3,400,000	\$3,290,000	2990.9%
Fund Balance Appopr.	\$950,000	\$1,108,600	\$158,600	16.7%
Total	\$21,262,000	\$24,474,271	\$3,212,271	15.1%



Office of the City Manager

Expenditures

Notable changes in expenditures are as follows.

- 1) A 2.5% wage increase for all employees is proposed to be effective the first full payroll in July. A second 2.0% wage increase is proposed to be effective the first full payroll period in January.
- 2) Implementation of Year 1 of 3 of the most recent wage market study. This study detailed analysis and data regarding the market competitiveness of our electric system positions. The study indicated the City was competitive within the market therefore no additional wage increase for electric system employees is included beyond that specified above.
- 3) The total number of full-time Electric Fund employees remains at 17.
- 4) Capital spending is decreased by \$1,085,000 in accordance with the Electric System Asset Management Plan adopted by Council in 2018.
- 5) Wholesale power costs are reduced by \$1,090,555 as a result of the wholesale power rate reduction approved by the NCMPA1 and Electricities effective July 1, 2024.
- 6) Transfers to other funds increases by \$4,130,497. The bulk of transfer will move the \$3,400,000 from the one-time wholesale power credit to the Electric Capital Reserve Fund to meet future capital needs and in particular for the construction of a new substation on the western side of the City.

Category	Original	City Manager	Amount	%
	Budget	Recommended		
	FY 2023-2024	FY 2024-2025	Change	Change
Personnel	\$1,807,000	\$2,377,225	\$570,225	31.6%
Operating	\$1,345,715	\$1,551,125	\$205,410	15.3%
Debt Service	\$470,000	\$1,081,800	\$611,800	130.2%
Capital	\$2,280,000	\$1,195,000	(\$1,085,000)	-47.6%
Less Allocations	\$688,730	\$746,624	\$57,894	8.4%
Transfers to other Funds	\$910,000	\$5,040,497	\$4,130,497	453.9%
Wholesale Power for Resale	\$12,260,555	\$11,170,000	(\$1,090,555)	-8.9%
Electric State Sales Tax	\$1,500,000	\$1,312,000	(\$188,000)	-12.5%
Total	\$21,262,000	\$24,474,271	\$3,212,271	15.1%



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Natural Gas Fund

The Natural Gas Fund is up (12.9%) in overall spending from fiscal year budget 2023-24 (\$25,144,462) to (\$21,898,730) in fiscal year 2024-25.

Revenue

No rate increase is recommended for the coming fiscal year. Net margin revenues are expected to remain flat for the coming fiscal year.

Natural Gas	Original	City Manager		
Revenue	Budget	Recommended	Amount	%
Source	FY 2023-2024	FY 2024-2025	Change	Change
Nat Gas Charges	\$24,416,962	\$20,900,000	(\$3,516,962)	-14.4%
Utility Late Fees	\$50,000	\$58,150	\$8,150	16.3%
Afterhours Charges	\$1,000	\$1,000	\$0	0.0%
Connection Fees	\$40,000	\$45,000	\$5,000	12.5%
Interest & Invest Income	\$12,000	\$50,000	\$38,000	316.7%
Proceeds from Financing	\$107,500	\$222,500	\$115,000	107.0%
Other Income	\$12,000	\$12,000	\$0	0.0%
Proceeds - Sale of Assets	\$5,000	\$5,000	\$0	0.0%
Fund Balance Approp	\$500,000	\$500,000	\$0	0.0%
Transfer from other funds	\$0	\$105,080	\$105,080	-
Total	\$25,144,462	\$21,898,730	(\$3,245,732)	-12.9%

Expenditures

Notable changes in expenditure are as follows.

- 1) A 2.5% wage increase for all employees is proposed to be effective the first full payroll in July. A second 2.0% wage increase is proposed to be effective the first full payroll period in January.
- 2) Implementation of Year 1 of 3 of the most recent wage market study. This study detailed an analysis and data regarding the market competitiveness of 1/3 of our positions citywide. Natural Gas Fund positions were not evaluated this year. There is an no additional wage increase for these positions beyond what is referenced above.
- 3) The total number of full-time Natural Gas Fund employees remains at 21.
- 4) Capital spending is increased by \$191,000 in order to fund system improvements identified in the Council adopted Natural Gas System Asset Management Plan of 2019.
- 5) Debt service increases slightly to reflect the shifting of payment for natural gas system improvements related to Project Grizzly (Washburn Switch Industrial Area 2019.)
- 6) Transfers to other funds increases \$368,273 to cover one-time capital costs.
- 7) Natural Gas purchase for resale is initially estimated to be down due to stabilization of market pricing. However, I would note that market volatility often affects this figure throughout the fiscal year.

	Original	City Manager		
Natural Gas	Budget	Recommended	Amount	%
Category	FY 2023-2024	FY 2024-2025	Change	Change
Personnel	\$1,792,650	\$2,003,900	\$211,250	11.8%
Operating	\$1,216,170	\$1,022,400	(\$193,770)	-15.9%
Debt Service	\$277,000	\$396,100	\$119,100	43.0%
Capital	\$1,347,500	\$1,538,500	\$191,000	14.2%
Less Allocations	\$791,142	\$851,172	\$60,030	7.6%
Transfers to other Funds	\$2,710,000	\$3,078,273	\$368,273	13.6%
Purchase for Resale	\$16,000,000	\$12,008,385	(\$3,991,615)	-24.9%
NG State Sales Tax	\$1,010,000	\$1,000,000	(\$10,000)	-1.0%
Total	\$25,144,462	\$21,898,730	(\$3,245,732)	-12.9%

Stormwater Fund

The Stormwater Fund is up (65.2%) in overall operational and capital spending from fiscal year budget 2023-24 (\$919,527) in fiscal year 2024-25. The operational increase alone was \$249,473 or (27%) with the non-recurring capital increase totaling \$350,000.

Revenue

A rate increase in the monthly stormwater fee is recommended for the coming fiscal year. As an example, the monthly fee for residential customers is proposed to increase \$ 0.68. Other commercial and industrial customers will increase proportionately. Revenues are expected to increase (27%) due to growth in customer charges (\$250,473) generated by the increase.

	Original	City Manager		
Revenue	Budget	Recommended	Amount	%
Source	FY 2023-2024	FY 2024-2025	Change	Change
Plan Review Fees	\$1,000	\$0	(\$1,000)	-100.0%
Stormwater Charges	\$918,527	\$1,169,000	\$250,473	27.3%
Proceeds from Financing	\$0	\$350,000	\$350,000	NA
Fund Balance Appropriation	\$0	\$0	\$0	0.0%
Total	\$919,527	\$1,519,000	\$599,473	65.2%

Expenditures

Notable changes in expenditure are as follows.

- 1) A 2.5% wage increase for all employees is proposed to be effective the first full payroll in July. A second 2.0% wage increase is proposed to be effective the first full payroll period in January.
- 2) Implementation of Year 1 of 3 of the most recent wage market study. This study detailed an analysis and data regarding the market competitiveness 1/3 of our positions citywide. Stormwater Fund positions were not evaluated this year. There is an no additional wage increase for these positions beyond what is referenced above.
- 3) The total number of full-time Stormwater Fund employees is reduced from 3 to 2.
- 4) Debt service spending is slightly reduced due to debt retirement.
- 5) Operating costs will increase by \$247,191. These funds are generated from the fee increase and are targeted to be used entirely to address stormwater system improvements throughout the system.
- 6) Capital costs increase from \$0 to \$350,000 from the previous year for the non-recurring purchase of capital equipment/vehicles. This year this amount will cover the purchase of a street sweeper.



Office of the City Manager

Stormwater Category	Original Budget FY 2023-2024	City Manager Recommended FY 2024-2025	Amount Change	% Change
Personnel	\$253,500	\$184,900	(\$68,600)	-27.1%
Operating	\$468,035	\$715,226	\$247,191	52.8%
Debt Service	\$15,600	\$11,450	(\$4,150)	-26.6%
Capital	\$0	\$350,000	\$350,000	0.0%
Allocations	\$182,392	\$257,424	\$75,032	41.1%
Total	\$919,527	\$1,519,000	\$599,473	65.2%

KEY CHALLENGES / OPPORTUNITIES FOR FY 2024-25

Challenges

The most important challenges faced by the City as a whole revolve around two key issues. The first is the need to continue to capitalize and increase the momentum the City currently has in attracting quality outside investment from the private sector. This investment is essential for the short- and long-term health of the City. Investment means jobs, increases in tax receipts, and increases in utility receipts. Both are needed to address continuing increases in personnel costs to recruit and retain high quality employees and to meet the impacts of inflation on the overall budget. The City's challenge is to attract development which includes residential, commercial, and industrial. This includes areas currently outside the city where infrastructure is now available but also the redevelopment of neighborhood and commercial areas around the center city. The City will need to continue to be aggressive in attracting new business development within the Washburn Switch Business corridor, commercial development along and adjacent to the existing US 74 corridor and new residential development that must also continue to focus on redevelopment of areas in the urban core previously characterized by vacant lots and boarded up houses. The minimum housing code enforcement program will continue but at some point, the City will need a path forward in attracting private investment to economically challenged areas. The City has seen some growth in these areas in the form of new single family residential infill construction. If we continue to be successful, in particular with industrial growth, with these efforts the pressure on the tax and utility rates can be lessened somewhat in the future.

Office of the City Manager

Another key challenge is to retain and attract high quality employees. The continuation of a rolling three market study and implementation of those recommendations has allowed the City to take a significant step toward a more competitive wage environment for our employees. As you all know our employees are the City's most important asset in service delivery. They are essential when it comes to protecting the public and providing the excellent service our citizens have come to expect. As growth in private investment occurs the City must be willing to increase wages proportionately or face losing our best employees to other employers. However, it seems that retention of positions classifications that include manual labor and equipment operation will continue to be difficult given the contraction of this labor pool. We will continue to evaluate the labor market and make recommendations in future budgets to take both proactive and sometimes reactive steps in this regard.

Ongoing Pressures

Supply chain issues persist in some industries, and inflation has led to a constant rise in the cost of goods and services. Also, Shelby, like many other small cities across the nation and state, faces real challenges especially in the areas of housing affordability and homelessness. A competitive labor market continues to hinder employee recruitment and retention, especially in the public safety sector. Fortunately, a combination of continued revenue growth, particularly in industrial property taxes, sales taxes, and strong financial management have provided additional resources to somewhat help address these challenges.

Opportunities

The implementation of key infrastructure upgrade projects in the past 5 years such as the Water Treatment Plant modernization project, the Wastewater Treatment Plant biosolids, construction of shell buildings #3 and #4, the various water, sewer, electric and natural gas projects that will further improve service throughout the City and the industrial areas are all integral opportunities for the City to continue to see residential, commercial and industrial growth that will bring population growth, high quality jobs and tax base expansion.

The Carolina Harmony Trail, while not fully funded, is progressing using local, state/federal grant and private funding. Phase IA is complete and subsequent phases are expected to be bid during the upcoming fiscal year. It has the potential to be transformational (for transportation, residential and commercial redevelopment, and economic development) in various parts of the City. This project has garnered significant private and public funding support of nearly \$9,000,000. The City will receive word on a \$25 million USDOT RAISE grant to be used toward construction of the entire project from Sunset Cemetery to the SC state line in June. If fully funded a separate project budget ordinance will be presented to City Council for consideration at a later date.



Office of the City Manager

Finally, there continue to be opportunities to attract visitors and visitors spending to our community through a variety of events and venues. The American Legion World Series, the Earl Scruggs Center, Don Gibson Theatre, City Park, Hanna Park, and the First Broad River Trail System. Carolina Harmony Trail will also aid in attracting visitors. Visitor travel and the associated spending must continue to be a part of our overall economic development strategy.

There are ongoing opportunities for the City to continue to partner with Cleveland County through our continued industrial shell building program, recreation initiatives such as the Rail-Trail and other quality of life issues where there is general agreement.

CONCLUSION

The FY 2024-25 budget proposal continues the current level of service provided by the City's many departments. I still see challenges but given the current improvements in the economy our successes should hearten the outlook toward the future. It is my hope and expectation that the City staff and employees are up to the challenge of continuing the high-quality service provided to our citizens. Basic services have been maintained and this should be our focus. While this budget is proposed by the City Manager, it is neither final nor is it necessarily a reflection of what will be approved by the City Council. The Mayor and City Council will review these recommendations to arrive at what you consider the proper expenditure of the available revenues for the upcoming year. A public hearing on the proposed budget is scheduled for Monday, June 3rd. The budget covering all funds for the fiscal year beginning July 1, 2024, is balanced, and presented to the Honorable Mayor and City Council for your thoughtful consideration at this time.

Respectfully submitted,

Rick Howell
City Manager



City of Shelby, NC

City Manager's Office
Fiscal Year 2024-2025
Budget Ordinance & Fee Schedule

CITY OF SHELBY
FY 2024-25 BUDGET ORDINANCE
ORDINANCE NO. 41-2024

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SHELBY, NORTH CAROLINA:

Sec. 1) The following amounts are hereby appropriated in the General Fund for the operation of City Government and its activities for the fiscal year beginning July 1, 2024 and ending June 30, 2025 in accordance with the chart of accounts heretofore established for this City:

Governing Board	\$91,459
Administration	772,036
Finance	866,598
Purchasing	112,202
Human Resources	452,636
Customer Service	37,436
Information Systems	934,871
Meter Services	0
Garage	880,634
City Hall	118,250
Police	9,724,808
Communication	938,710
Fire	6,050,618
Building Inspections	574,010
Streets	1,487,260
Airport	681,920
Solid Waste	2,264,395
GIS	79,956
Planning Services	860,510
Special Appropriations	3,684,916
Parks & Recreation	1,874,630
Maintenance Grounds & Cemetery	<u>1,982,030</u>
Total	<u>\$34,469,885</u>

Sec. 2 It is estimated that the following revenues will be available to the General Fund for the fiscal year beginning July 1, 2024 and ending June 30, 2025:

Property Taxes	\$ 14,346,501
Local Option Sales Tax	7,400,000
Other Taxes	56,400
Unrestricted Intergovernmental Revenues	2,297,500
Restricted Intergovernmental Revenues	47,000
Permits and Fees	378,225
Sales & Services	4,001,450
Investment Revenues	300,000
Other Financing Sources	1,072,519
Fund Balance	908,066
Transfers	<u>3,662,224</u>
Total	<u>\$34,469,885</u>

Sec. 3) The following amounts are hereby appropriated in the Powell Bill Fund for the fiscal year beginning July 1, 2024 and ending June 30, 2025:

Construction	\$ 655,588
Street Maintenance	288,990
Debt Service	<u>16,800</u>
Total	<u>\$ 961,378</u>

Sec. 4) It is estimated that the following revenues will be available to the Powell Bill Fund for the fiscal year beginning July 1, 2024 and ending June 30, 2025:

Powell Bill	\$ 751,378
Interest Income	60,000
Proceeds from Financing	150,000
Fund Balance	<u>0</u>
Total	<u>\$ 961,378</u>

Sec. 5 The following amounts are hereby appropriated in the Emergency Telephone System Fund for the fiscal year beginning July 1, 2024 and ending June 30, 2025:

Emergency Telephone System	\$ <u>78,027</u>
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Total	\$ <u><u>78,027</u></u>
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Sec. 6) It is estimated that the following revenues will be available to the Emergency Telephone System Fund for the fiscal year beginning July 1, 2024 and ending June 30, 2025:

911 Revenues	\$ 78,027
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Fund Balance Appropriated	<u>0</u>
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Total	\$ <u><u>78,027</u></u>
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Sec. 7) The following amounts are hereby appropriated in the Economic Development Fund for the fiscal year beginning July 1, 2024 and ending June 30, 2025:

Services	\$ 846,000
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Transfers	<u>982,062</u>
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Total	\$ <u><u>1,828,062</u></u>
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Sec. 8) It is estimated that the following revenues will be available to the Economic Development Fund for the fiscal year beginning July 1, 2024 and ending June 30, 2025:

MSD Property Taxes	\$ 118,000
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Local Occupancy Tax	275,000
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Investment Revenues	50,000
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Other Income	2,000
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Transfers	1,383,062
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Fund Balance Appropriated	<u>0</u>
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Total	\$ <u><u>1,828,062</u></u>
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Sec. 9) The following amounts are hereby appropriated in the Housing Fund for the fiscal

year beginning July 1, 2024 and ending June 30, 2025:

Conventional	\$ 2,859,010
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Total	\$ 2,859,010
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Sec. 10) It is estimated that the following revenues will be available to the Housing Fund for the fiscal year beginning July 1, 2024 and ending June 30, 2025:

Subsidies	\$ 687,487
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HUD CFP Income	1,256,018
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Rent Income	760,000
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Investment Income	10,000
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Other Income	0
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Fund Balance	<u>145,505</u>
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Total	\$ 2,859,010
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Sec. 11) The following amounts are hereby appropriated in the Cemetery Perpetual fund for the fiscal year beginning July 1, 2024 and ending June 30, 2025:

Fund Balance Increase	\$ <u>40,000</u>
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Total	\$ <u>40,000</u>
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Sec. 12) It is estimated that the following revenues will be available to the Cemetery Perpetual Fund for the fiscal year beginning July 1, 2024 and ending June 30, 2025:

Cemetery Fees	\$ 30,000
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Other Income	<u>10,000</u>
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Total	\$ <u>40,000</u>
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Sec. 13) The following amounts are hereby appropriated in the Water Fund for the fiscal year beginning July 1, 2024 and ending June 30, 2025:

Administration	\$ 3,866,971
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Line Operation	1,674,920
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Plant	<u>2,346,915</u>
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Total	<u>\$ 7,888,806</u>
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Sec. 14) It is estimated that the following revenues will be available to the Water Fund for the fiscal year beginning July 1, 2024 and ending June 30, 2025:

Fees	\$ 6,867,783
Proceeds From Financing	236,000
Fund Balance	410,000
Transfer	371,023
Other Income	<u>4,000</u>

Total	<u>\$ 7,888,806</u>
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Sec. 15) The following amounts are hereby appropriated in the Sewer Fund for the fiscal year beginning July 1, 2024 and ending June 30, 2025:

Administration	\$ 3,843,055
Line Operation	1,556,220
Plants	<u>3,297,045</u>

Total	<u>\$8,696,320</u>
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Sec. 16) It is estimated that the following revenues will be available to the Sewer Fund for the fiscal year beginning July 1, 2024 and ending June 30, 2025:

Fees	\$ 7,066,500
Other Income	30,000
Proceeds From Financing	140,000
Transfers	505,959
Fund Balance	<u>953,861</u>

Total	<u>\$ 8,696,320</u>
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Sec. 17) The following amounts are hereby appropriated in the Electric Fund for the fiscal year beginning July 1, 2024 and ending June 30, 2025:

Administration	\$ 8,021,111
Purchase/Generation	12,482,000

Line Operation	3,693,310
Economic Development	<u>277,850</u>
Total	<u>\$24,474,271</u>

Sec. 18) It is estimated that the following revenues will be available to the Electric Fund for the fiscal year beginning July 1, 2024 and ending June 30, 2025:

Fees	\$19,865,671
Proceeds From Financing	50,000
Interest	50,000
Other Income	3,400,000
Fund Balance	<u>1,108,600</u>
Total	<u>\$24,474,271</u>

Sec. 19) The following amounts are hereby appropriated in the Gas Fund for the fiscal year beginning July 1, 2024 and ending June 30, 2025:

Administration	\$ 5,808,345
Gas Purchases	13,008,385
Line Operation	<u>3,082,000</u>
Total	<u>\$21,898,730</u>

Sec. 20) It is estimated that the following revenues will be available to the Gas Fund for the fiscal year beginning July 1, 2024 and ending June 30, 2025:

Fees	\$21,009,150
Other Income	12,000
Proceeds From Financing	222,500
Interest	50,000
Transfer	105,080
Fund Balance	<u>500,000</u>
Total	<u>\$21,898,730</u>

Sec. 21) The following amounts are hereby appropriated in the Stormwater Fund for the fiscal year beginning July 1, 2024 and ending June 30, 2025:

Administration	\$ 1,519,000
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Total	\$ 1,519,000
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Sec. 22) It is estimated that the following revenues will be available to the Stormwater Fund for the fiscal year beginning July 1, 2024 and ending June 30, 2025:

Fees	\$ 1,169,000
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Proceeds From Financing	350,000
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Fund Balance	<u>0</u>
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Total	\$ 1,519,000
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Sec. 23) That the revenues and expenditures set forth in Section 1 through Section 20 of this ordinance are hereby summarized as follows:

General Fund	\$34,469,885
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Powell Bill Fund	961,378
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Emergency Telephone System	78,027
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Economic Development Fund	1,828,062
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Housing Fund	2,859,010
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Cemetery Perpetual Fund	40,000
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Utilities-Water Fund	7,888,806
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Utilities-Sewer Fund	8,696,320
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Utilities-Electric Fund	24,474,271
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Utilities-Gas Fund	21,898,730
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Utilities-Stormwater Fund	<u>1,519,000</u>
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Total	\$104,713,489
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Less Interfund Transfers	<u>9,427,348</u>
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Total FY 2024-25 Budget	<u>\$95,286,141</u>
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Sec. 24) There is hereby levied a tax at the rate of fifty-one and seventy-five one hundredths cents (\$0.5175) per one hundred dollars (\$100) valuation of property as listed for taxes as of January 1, 2024 for the purpose of raising the revenue listed as property

taxes in the General Fund in Section 2 of this ordinance. This rate is based on an estimated total valuation of property for the purposes of taxation of \$2,752,194,732 and an estimated collection rate of 97.74%. The estimated rate of collection is based on the actual rate of collection for fiscal year 2022-23.

Sec. 25) There is hereby further levied an additional tax at the rate of twenty-five cents (\$0.25) per one hundred dollars (\$100) valuation of property as listed for taxes as of January 1, 2024 within the boundaries of the Uptown Shelby Municipal Service District for the purpose of raising the revenue listed as uptown district tax in the Economic Development Fund in Section 8 of this ordinance. This rate is based on an estimated total valuation of property for the purposes of taxation of \$53,434,230 and an estimated collection rate of 95.36%. The estimated rate of collection is based on the actual rate of collection for fiscal year 2022-23.

Sec. 26) Copies of the Budget Ordinance shall be furnished to the City Manager (Budget Officer) and Finance Officer to be kept on file by them for their direction in the collection and disbursement of funds. Said officials are hereby authorized to receive and expend funds as herein set forth in accordance with the Shelby City Code and the General Statutes of the State of North Carolina.

Sec. 27) The following authorizations and restrictions shall apply to the adoption and enactment of this budget:

- A. The City Manager shall be authorized to reallocate departmental appropriations among the various objects of expenditure as he believes necessary.
- B. The City Manager shall be authorized to effect interdepartmental transfers in the same fund not to exceed ten percent (10%) of the appropriated monies for the department whose allocation is reduced.
- C. The City Manager shall be authorized to effect transfers between capital projects that are budgeted in the same capital project fund.
- D. The City Manager shall be authorized to transfer any remaining balances from any Capital Project upon its completion to the corresponding reserve fund. Interfund transfers from operating funds shall be accomplished by City Council authorization only.
- E. The budget adopted herein may be amended to reflect encumbrance balances for expenditures properly committed but unpaid at the end of the prior fiscal year and increasing fund balances appropriated by a similar amount.

Adopted and Approved this the 3rd day of June 2024.

O. Stanhope Anthony III
Mayor

ATTEST:

Carol Williams
City Clerk

APPROVED AS TO FORM:

Jason Lunsford
City Attorney