

CITY OF HIGH POINT

AGENDA ITEM



Title: Public Hearing- Proposed CHP Annual Budget FY 2018-2019

From: Greg Demko, City Manager

Meeting Date: May 21, 2018

Public Hearing: Yes

Advertising Date / May 9, 2018

Advertised By: Budget Office

Attachments: City Manager's Message
Legal Advertisement

PURPOSE:

To receive public comment on the proposed City of High Point 2018-2019 Annual Budget.

BACKGROUND:

Each year, prior to the adoption of the Annual Budget for the City of High Point, the High Point City Council establishes a public hearing date and time to receive comments from the public. These comments are taken into consideration by Council in budget work sessions.

BUDGET IMPACT:

RECOMMENDATION / ACTION REQUESTED:

Acknowledge public hearing was held to receive public input on the annual budget.



May 7, 2018

Honorable Mayor and Members of the City Council
City of High Point, North Carolina

I am pleased to present the City's 2018-19 Annual Budget for your review and consideration. This budget was developed with the principles of the City Council's Strategic Plan guiding the way. Substantial progress has been made in the implementation of the key elements of this plan, and I expect to see much more progress in the upcoming fiscal year and beyond.

It is an exciting time to be in High Point! High Point is on the cusp of transformational change, and I am honored that the City Council has placed their trust in me to lead our talented staff in implementing Council's strategic plans, programs, and initiatives that will truly change this great community for generations to come.

BUDGET AT A GLANCE

- *No tax rate increase*
- *No electric rate increase*
- *No garbage collection fee increase*
- *No stormwater fee increase*
- *No motor vehicle fee increase*
- *3% water and sewer fee increase, effective October 1.*
- *Continues average 3% pay for performance program*
- *Adds 1% city match for 401k contributions*
- *Adds 4 full time positions citywide and upgrades 1 position*
- *Plans acquisition and renovation of Police headquarters building*
- *Increases funding for redevelopment and blight removal efforts*
- *Second year funding for Family Justice Center*
- *Continues neighborhood street resurfacing investments*
- *Planned 5% increase in city funded health and dental premiums*
- *Increases utility assistance program*
- *Continues partnership with Forward High Point*
- *Continues investment in deferred maintenance reduction program in Parks and Recreation*
- *Replaces one transit bus*
- *Expands transit office space*
- *Continues fleet replacement program to replace large equipment and light duty vehicles*
- *Continues fire apparatus replacement program by replacing one ladder truck and one pumper truck*



STRATEGIC PLAN

The scope and breadth of the change that is occurring in High Point would not be possible without the faithful courage of the City Council. In March of 2016 the City Council developed a strategic plan, which has been reaffirmed and expanded by the current City Council. This budget continues to fund programs and initiatives related to these strategic goals and maintaining fiscal sustainability. The initial goals are below:

- Increase the population of active, engaged, and entrepreneurial and working young professionals living in High Point by 25%
- 100% proactive enforcement of codes
- Create a downtown catalyst project that produces:
 - 500 private sector jobs
 - 15-20 new restaurants and shops
 - 250 additional housing units
 - A centralized gathering place

One of the key pieces of this budget is continued investment for code enforcement and blight removal in our core city, which will help to stabilize property tax values and increase neighborhood pride. A vital step in the program is funding for the acquisition of county foreclosed properties, which we then make available to the private development community so that they can build new houses. Pinnacle Bank and other community partners have made this initiative a tremendous success. Property values and community pride are increasing in our core city neighborhoods, while adding much needed housing opportunities for our residents.

Did You Know?

To date, Pinnacle Bank has built ten new homes in the Core City. Eight of the ten homes have been sold or are under contract, and many more are planned. These homes have added approximately \$900,000 in taxable value. The City looks forward to continuing and growing this innovative

Engaging the young professional population by supporting the work of the Connect HP task force continues to be a priority. This group of dedicated community leaders has been engaged and is adding positive ideas and momentum to our community.

The multi-purpose stadium project, which is the cornerstone of our downtown catalyst project, is well under way, and is on target for the planned Spring of 2019 opening. This project is on an accelerated timeline and is changing the landscape of our new downtown on a daily basis. This project will be the catalyst for increased investment and property values in the area, and planning for the philanthropic and private sector projects is underway, and final details will soon be announced publicly. These strategic plan initiatives have the ultimate goal of increasing community pride, activity, and property values throughout the City.

In addition to the three goals identified above, the City Council has identified three additional items for City Staff to focus on in the future. These items are:

- How do we address underperforming schools?
- How do we plan for and build around our catalyst project?
- How can we utilize technology to communicate?

The Strategic Planning process continues to evolve, and Council and Staff will be addressing additional elements of the plan in the near future.



TOTAL FY 2018-19 BUDGET OF ALL FUNDS

This budget was prepared in accordance with the provisions of the North Carolina General Statutes and the policies of the North Carolina Local Government Commission. This budget is balanced and reflects the City Council's commitment to responsible fiscal management, while enhancing services that improve the quality of life for the citizens of High Point.

Funds included in the budget are adequate to continue providing the services that are expected by our citizens. The budget funds the critical elements of the City Council's Strategic Plan while looking forward to the needs of the future.

The total FY 2018-19 budgeted expenditures for the City of High Point amount to \$397,649,249. This is an increase of \$19,165,218 or 5.1% from the FY 2017-18 Budget. Details of these increases are summarized later in this message.

Below is a chart of total 2018-19 budgeted revenues and expenditures compared to the 2017-18 Adopted Budget:

CITY OF HIGH POINT					
TOTAL BUDGET OF ALL FUNDS SUMMARY					
Sources and Uses of Funds	FY 2017 Actual	Original FY 2018 Budget	Proposed FY 2019 Budget	\$ Change Prop/Orig	% Change Prop/Orig
REVENUES					
Fund Balance	18,399,339	5,456,850	9,762,169	4,305,319	78.9%
Property Tax	59,791,630	62,486,758	64,408,597	1,921,839	3.1%
Sales & Use Taxes	27,172,066	28,281,000	30,049,000	1,768,000	6.3%
Intergovernmental Revenues	23,956,757	16,858,981	18,284,163	1,425,182	8.5%
Licenses & Permits	4,492,153	4,688,650	4,811,150	122,500	2.6%
Charges for Services	217,795,586	234,992,282	240,494,510	5,502,228	2.3%
Miscellaneous Revenues	16,487,533	9,334,817	11,040,123	1,705,306	18.3%
Reimbursements	180,000	180,000	443,323	263,323	146.3%
Net Total Revenues	368,275,064	362,279,338	379,293,035	17,013,697	4.7%
Interfund Activities	24,229,034	16,204,693	18,356,214	2,151,521	13.3%
Total Revenues	392,504,098	378,484,031	397,649,249	19,165,218	5.1%
EXPENDITURES					
Personnel Services	114,756,964	120,050,803	126,567,064	6,516,261	5.4%
Operating Expenditures	172,789,195	170,109,593	164,687,447	(5,422,146)	-3.2%
Capital Outlay	16,438,246	11,132,465	13,287,874	2,155,409	19.4%
Debt Service	30,683,906	30,950,500	32,004,506	1,054,006	3.4%
PayGo Capital	22,965,246	22,920,650	32,465,500	9,544,850	41.6%
Reimbursements	10,591,507	10,397,649	12,198,978	1,801,329	17.3%
Contingency	-	3,464,128	6,786,466	3,322,338	95.9%
SubTotal	368,225,064	369,025,788	387,997,835	18,972,047	5.1%
Interfund Activities	24,279,034	9,458,243	9,651,414	193,171	2.0%
Total Uses of Funds	392,504,098	378,484,031	397,649,249	19,165,218	5.1%



FY 2018-19 MAJOR REVENUES HIGHLIGHTS

Total revenues for FY 2018-19 are projected to increase \$19,165,218, which is a 5.1% increase from the FY 2017-18 Adopted Budget. The FY 2018-19 Budget proposes very few changes to our current revenue. The proposed budget keeps the property tax rate the same for the third year in a row, at 64.75 cents.

There is no proposed rate increase for electric service, stormwater fees, garbage collection fees, or motor vehicle fees. The only change to current rates is a proposed 3.0% water-sewer rate increase, effective October 1. This increase is designed to fund future debt service needs for the long range bond financing plan for upgrades and improvements to the water and sewer system. Greater details are outlined within each fund on the following pages.

FY 2018-19 EXPENDITURE HIGHLIGHTS

This budget continues to address issues related to the strategic plan initiatives that have been formulated and affirmed over the last two years.

Redevelopment and economic development continue to be important to the revitalization of High Point, and funding is included to address these priorities. Committing resources to address deferred maintenance has also been a priority over the last few years, and that commitment continues with this spending plan.

The needs, priorities and details of each fund are highlighted in detail throughout this document. Below are the major expenditure highlights included in the FY 2018-19 Proposed Budget:

Did You Know?

The current Police Headquarters was built in 1963 and was originally Leonard Street Elementary School. The building was renovated for Police use in 1994.

- Continuation of the City's Pay for Performance Program with a 0% - 4% merit increase. This proposal will help the city remain competitive in the retention of staff, and will give department directors more flexibility to reward high performing employees. The cost of this pay plan is approximately \$1,242,503 citywide. The cost by each major fund is: General Fund (\$861,240), Water/Sewer (\$98,006), Electric (\$128,069), all others (\$155,188).
- Adds a total of 4 full time positions citywide, including an Administrative Associate in the Water Sewer Fund, a Scale House Operator in the Solid Waste Fund, and an Administrative Assistant in the City Manager's Office and a Motor Equipment Operator in Stormwater. There is also one position being upgraded from a Police Officer position to a Police Lieutenant for the Family Justice Center team.
- Increases funding for redevelopment and blight removal efforts from \$500,000 to \$800,000 to continue and expand this integral part of the long range strategic plan.
- Includes the planned acquisition and renovation of a Police Department facility. The total expected cost of this project is \$10.0 million, and the funding is planned to come from internal borrowing for purchase of the facility, issuance of \$6.6 million in 2/3rds bonds this fall, and additional lease purchase financing for renovation and replacement of major systems in the building. This option compares favorably to the estimates of \$50+ million dollars to build a new facility. This budget has debt service included for the issuance of 2/3rds bonds. As plans become more certain additional budget action may be needed for the internal borrowing and the lease purchase agreements.



FY 2018-19 EXPENDITURE HIGHLIGHTS (continued)

- Includes \$250,000 for the second half of funding for the Family Justice Center project.
- Implementation of a program to match up to 1% of employee 401k contributions at a citywide cost of \$160,000.
- Fully funds the first year repayment of the twenty-year internal loan for the Catalyst Project land purchases. The General Fund is repaying the Internal Service Fund \$443,323 as planned.
- Continued funding of the Forward High Point downtown development group in the amount of \$250,000.
- Increases funding for the Utility Assistance Program from \$100,000 to \$200,000 annually.
- Continues investment to address deferred maintenance at Parks and Recreation facilities throughout the City. A total of \$589,500 is planned for various improvements.
- Continued investment of \$2.45 million for neighborhood street resurfacing.
- Replaces \$6.6 million in vehicles funded with a combination of pay-as-you-go funding (\$4.6 million) and lease purchase funding (\$2.0 million) from the Fleet division of the Central Services Fund. Planned fleet purchases include one rear loader truck, one front loader truck, and three automated trucks, one grader and one bulldozer for Environmental Services, a street sweeper unit, 2 dump trucks, 12 patrol cars and 4 other police vehicles, and other necessary mid-sized sedan and light duty pickup truck replacements.
- Plans the acquisition of one fire pumper and one fire ladder truck for \$2,000,000. These vehicles will be funded using lease purchase funds. This acquisition is in line with the long range fire apparatus replacement plan that has been developed that proposes a steady cash funding source and using a combination of lease purchase financing and cash funding.
- Includes funds to replace one transit bus. The total cost is \$500,000, and the City will pay ten percent of the cost of the replacement bus. Eighty percent will come from Federal funds and ten percent from State funds.
- Includes funds to renovate an existing facility at the Transit Department offices for increased space for the expanded Transit program. The total cost of this project is \$330,000, and the City will pay ten percent while the State has agreed to pay ninety percent of the total cost.
- Pay-as-you-go projects of \$33.44 million are included in the proposed budget, which is consistent with the level of investment we have made in the past. Details are included later in this message.

Fun Fact

The average High Point Transit bus will drive about 360,000 miles in its 12 year life cycle. That is equal to going to the moon and halfway back!

2018-19 MAJOR FUND SUMMARIES

GENERAL FUND

The 2018-19 General Fund Budget of \$114,714,702 is \$2,958,128 or 2.6% more than the adopted 2017-18 budget of \$111,756,574. The FY 2018-19 General Fund Budget is balanced with current revenues of \$109,671,690, \$2,000,000 in lease purchase proceeds, and \$3,043,012 appropriated prior year fund balances. This compares to \$105,356,574 in current revenues, \$2,900,000 in lease purchase proceeds, and \$3,500,000 in appropriated fund balance in FY 2017-18.



General Fund revenues and expenditures are summarized below:

CITY OF HIGH POINT GENERAL FUND BUDGET SUMMARY					
Sources and Uses of Funds	FY 2017 Actual	Original FY 2018 Budget	Proposed FY 2019 Budget	\$ Change Prop/Orig	% Change Prop/Orig
REVENUES					
Fund Balance		3,500,000	3,043,012	(456,988)	-13.1%
Property Tax	56,693,148	59,425,471	61,112,628	1,687,157	2.8%
Sales & Use Taxes	26,709,543	27,845,000	29,568,000	1,723,000	6.2%
Intergovernmental Revenues	10,240,872	9,847,116	10,365,973	518,857	5.3%
Licenses & Permits	2,465,714	2,673,650	2,791,150	117,500	4.4%
Charges for Services	4,859,444	4,678,087	4,838,064	159,977	3.4%
Miscellaneous Revenues	4,476,940	3,787,250	2,995,875	(791,375)	-20.9%
Net Total Revenues	105,445,661	111,756,574	114,714,702	2,958,128	2.6%
EXPENDITURES					
Personnel Services	70,660,055	73,719,462	76,677,831	2,958,369	4.0%
Operating Expenditures	23,443,269	25,140,980	25,681,282	540,302	2.1%
Capital Outlay	2,427,577	3,470,800	2,117,518	(1,353,282)	-39.0%
Debt Service	787,228	404,860	835,909	431,049	106.5%
Contingency	-	400,000	400,000	-	0.0%
SubTotal	97,318,129	103,136,102	105,712,540	2,576,438	2.5%
Interfund Activities	10,148,903	8,620,472	9,002,162	381,690	4.4%
Total Uses of Funds	107,467,032	111,756,574	114,714,702	2,958,128	2.6%

**Did You
Know?**

*High Point is
the only city
in North
Carolina that
spans four
counties.
High Point is
in Guilford,
Davidson,
Randolph and
Forsyth
Counties.*

GENERAL FUND REVENUES

Below is a summary of major General Fund revenue changes:

- Property tax revenues represent 53.3% or \$61,112,628 of the total General Fund revenues. Property tax collections are projected to increase approximately \$1,687,157 or 2.8%. The projected collections are based on no change to the tax rate of 64.75 cents.
- Sales tax revenues represent 25.8% of General Fund revenues and are projected to increase approximately \$1,723,000 or 6.2% due to estimated sales tax growth and the continued effect of a broadening of the sales tax base.
- License and permit fees are projected to increase \$117,500 or 4.4% due primarily to increased building activity.
- Charges for Services are increasing approximately \$160,000 or 3.4% due to anticipated increases in building permit activity volume.
- Miscellaneous Revenues include lease purchase funding, which is decreasing from \$3.1 million in the previous fiscal year to \$2.0 million for fiscal year 2008-2019. This is directly related to the fire apparatus replacement plan.



TAX RATE AND COLLECTIONS

The proposed FY 2018-19 tax rate is 64.75 cents, unchanged from the Fiscal Year 2017-18 rate. The value of one cent in tax rate will produce approximately \$965,495 of revenue. The total proposed tax rate is divided between the General Fund and the General Debt Service Fund. The General Fund receives 61.35 cents, and the General Debt Service Fund receives 3.4 cents.

Of the total current year estimated collections of \$62,180,154, the General Fund will receive \$58,915,095, and the General Debt Service Fund will receive \$3,265,058. A blended collection rate of 99.4% is planned for current year tax collections since historically 99.0% of real property tax and 99.8% of automobile property tax is collected within the fiscal year.

ASSESSED PROPERTY VALUES

The combined total assessed valuation estimates for our four County taxing authorities is \$9,654,950,463 for FY 2018-19, for a 2.8% increase over our previous year estimates. Below is a chart of our historic assessed value history:

CITY OF HIGH POINT ASSESSED VALUE HISTORY								
Fiscal Year	REAL PROPERTY				Personal Property	Public Service Companies	Total Assessed Value	% Inc yr/yr
	Residential Property	Commercial Property	Industrial Property	Total				
2006	3,481,796,314	2,491,980,410	942,275,410	6,916,052,134	1,372,316,382	117,923,262	8,406,291,778	0.9%
2007	3,615,085,429	2,530,768,578	942,311,760	7,088,165,767	1,409,442,958	122,178,728	8,619,787,453	2.5%
2008	3,778,859,150	2,729,035,922	994,596,450	7,502,491,522	1,441,055,968	131,332,066	9,074,879,556	5.3%
2009	4,231,853,123	2,408,171,911	1,005,788,880	7,645,813,914	1,452,697,393	131,984,351	9,230,495,658	1.7%
2010	4,279,155,000	2,483,747,575	1,008,165,180	7,771,067,755	1,417,186,050	131,456,290	9,319,710,095	1.0%
2011	n/a	n/a	n/a	7,682,834,650	1,402,419,615	129,766,404	9,215,020,669	-1.1%
2012	n/a	n/a	n/a	7,655,916,694	1,455,701,042	129,074,157	9,240,691,893	0.3%
2013	4,300,290,483	1,949,336,323	987,346,355	7,236,973,161	1,501,465,603	148,989,146	8,887,427,910	-3.8%
2014	4,315,429,943	2,149,860,980	969,318,600	7,434,609,523	1,489,840,190	128,387,727	9,052,837,440	1.9%
2015	4,397,388,367	1,872,215,206	977,839,178	7,247,442,751	1,555,428,785	126,857,380	8,929,728,916	-1.4%
2016	4,349,667,380	2,014,352,593	914,694,134	7,278,714,107	1,587,787,369	140,281,138	9,006,782,614	0.9%
2017	4,429,691,766	1,942,245,655	993,448,540	7,365,385,961	1,674,065,813	141,688,783	9,181,140,557	1.9%
2018 (est)	4,540,434,060	1,992,744,042	1,018,284,754	7,551,462,856	1,695,626,358	144,885,945	9,391,975,159	2.3%
2019 (est)	4,667,566,214	2,048,540,875	1,046,796,727	7,762,903,816	1,743,103,896	148,942,751	9,654,950,463	2.8%

GENERAL FUND EXPENDITURES

Below is a summary of major General Fund expenditure changes:

- Personnel services are increasing \$2.95 million or 4.0% to continue the pay for performance merit program, a 5% mid-year increase to city funded health insurance premiums, implementation of a 1% 401k matching program, and full year funding for positions added in the previous fiscal year. New position changes include half year funding for an Administrative Assistant position in the City Manager's Office, and the upgrade of a Police Officer position to a Lieutenant for the new Family Justice Center addition at the Guilford County Courthouse.
- Operating expenditures are increasing \$540,302 or 2.1%, primarily due to a \$300,000 increase in redevelopment and blight related nuisance abatements and demolitions, annual software maintenance and lease costs, and various other increases.



GENERAL FUND EXPENDITURES (continued)

- Capital outlay is budgeted at \$2,117,518, a decrease of \$1,353,282 from the previous year. Planned expenditures this year include 2 fire apparatus (\$2.0 million) and other smaller equipment.
- Debt service related to short term operating financing for capital equipment is increasing by \$431,049 or 106.5% due to the anticipated lease-purchase financing agreement for fire apparatus.

WATER AND SEWER FUND

The \$53,856,238 Water and Sewer Fund Budget for 2018-19 represents a 5.7% or \$2,899,203 increase from the 2017-2018 adopted budget, as summarized below:

Fun Fact

The city operates two wastewater treatment plants. The Eastside plant was originally built in 1928 and the Westside Plant was built in 1929. The wastewater system has over 670 miles of outfalls and mains.

CITY OF HIGH POINT WATER SEWER FUND BUDGET SUMMARY					
Sources and Uses of Funds	FY 2017 Actual	Original FY 2018 Budget	Proposed FY 2019 Budget	\$ Change Prop/Orig	% Change Prop/Orig
REVENUES					
Fund Balance	-	294,000	1,089,482	795,482	270.6%
Intergovernmental Revenues	401,544	435,000	410,586	(24,414)	-5.6%
Charges for Services	49,544,269	49,948,035	52,031,170	2,083,135	4.2%
Miscellaneous Revenues	129,271	280,000	325,000	45,000	16.1%
Net Total Revenues	50,075,084	50,957,035	53,856,238	2,899,203	5.7%
EXPENDITURES					
Personnel Services	8,566,184	9,224,652	9,618,630	393,978	4.3%
Operating Expenditures	10,081,482	11,259,334	11,736,971	477,637	4.2%
Debt Service	17,972,597	18,500,554	17,000,747	(1,499,807)	-8.1%
PayGo Capital	6,552,331	5,639,550	8,509,356	2,869,806	50.9%
Reimbursements	6,104,390	5,982,945	6,540,534	557,589	9.3%
Contingency	-	300,000	300,000	-	0.0%
SubTotal	49,276,984	50,907,035	53,706,238	2,799,203	5.5%
Interfund Activities	50,000	50,000	50,000	-	0.0%
Total Uses of Funds	49,326,984	50,957,035	53,756,238	2,799,203	5.5%

WATER AND SEWER RATES

The 2018-19 Water and Sewer Fund includes a 3.0% water and sewer rate increase effective October 1, 2018. This increase is to fund the debt service on the approximately \$35 million in water and wastewater bonds that will be issued in the fall of 2018. It also maintains necessary coverage ratios associated with bond covenants. This budget includes \$8.5 million in pay-as-you-go project funding detailed later in this message.



WATER AND SEWER RATES (continued)

This rate increase is in line with the long-range capital financing plan that has been developed by Davenport & Company. This plan calls for annual rate increases between the 3.0% to 5.0% range to pay for this critical infrastructure development. This strategy was adopted in the early 2000s to avoid some of the 15-22% rate increases that were needed due to lack of proper long range planning.

Below is a history of water and sewer rate increases:

FYI

The UNC Environmental Finance Center Water and Sewer Rates Dashboard compares residential rates among 385 utilities statewide. Using 5,000 gallons, a ratepayer in High Point would pay \$73.28, compared to the statewide median cost of \$74.37. (based on 2018 rates)

CITY OF HIGH POINT HISTORIC ANNUAL WATER AND SEWER RATE INCREASES			
FISCAL YEAR	EFFECTIVE DATE	WATER % CHANGE	SEWER % CHANGE
FY 2000-01	7/1/2000	17.20%	15.70%
FY 2001-02	7/1/2001	5.00%	22.20%
FY 2002-03	7/1/2002	8.00%	15.00%
FY 2003-04	7/1/2003	6.30%	14.50%
FY 2004-05	10/1/2004	4.90%	4.90%
FY 2005-06	10/1/2005	4.90%	4.90%
FY 2006-07	10/1/2006	4.90%	4.90%
FY 2007-08	11/8/2007	4.85%	4.85%
FY 2008-09	10/1/2008	5.90%	5.90%
FY 2009-10	10/1/2009	5.00%	5.00%
FY 2010-11	10/1/2010	4.90%	4.90%
FY 2011-12	10/1/2011	4.90%	4.90%
FY 2012-13	no increase	0.00%	0.00%
FY 2013-14	no increase	0.00%	0.00%
FY 2014-15	7/1/2014	3.00%	3.00%
FY 2015-16	10/1/2016	3.50%	3.50%
FY 2016-17	10/1/2017	4.00%	4.00%
FY 2017-18	10/1/2017	3.00%	3.00%
FY 2018-19 (proposed)	10/1/2018	3.00%	3.00%

Water and sewer revenue rates are a critical component of funding the operation, maintenance and needed capital improvements for water treatment facilities and distribution lines, and for wastewater collection lines and treatment systems. Property taxes are not used to finance water and sewer utility services.



ELECTRIC FUND

The 2018-19 Electric Fund Budget of \$132,956,660 represents a 0.2% or \$289,550 increase from the 2017-18 adopted budget. There is no change planned to the current rate structure.

Wholesale power cost for FY 2018-19 is budgeted at \$92,721,000, which is the single largest expense in the Electric Fund and citywide budget. This represents a decrease of 7.0% or \$6,979,000, which is due to a proposed decrease in wholesale power rates from Electricities. As with a prior wholesale power decrease 2 years ago, the plan is to keep the rates the same and use the excess revenue to fund a rate stabilization fund. A planned rate study will be completed in Fiscal Year 2018-2019, and results of that study will guide the city in determining future rates.

The budget plan continues to invest funds to maintain electric infrastructure, and includes \$11,845,000 in major capital projects. These routine capital investments are necessary to maintain efficient and ongoing operation of the Electric System.

Did You Know?

Electricity for the High Point Electric System is generated at the Catawba Nuclear Station, which is located on the shores of Lake Wylie in York, South Carolina.

CITY OF HIGH POINT ELECTRIC FUND BUDGET SUMMARY					
Sources and Uses of Funds	FY 2017 Actual	Original FY 2018 Budget	Proposed FY 2019 Budget	\$ Change Prop/Orig	% Change Prop/Orig
REVENUES					
Fund Balance	-	-	-	-	0.0%
Intergovernmental Revenues	702,582	-	-	-	0.0%
Charges for Services	129,078,339	132,428,110	132,645,047	216,937	0.2%
Miscellaneous Revenues	262,653	239,000	311,613	72,613	30.4%
Net Total Revenues	130,043,574	132,667,110	132,956,660	289,550	0.2%
Interfund Activities	-	-	-	-	0.0%
Total Revenues	130,043,574	132,667,110	132,956,660	289,550	0.2%
EXPENDITURES					
Personnel Services	8,717,365	9,499,425	10,054,186	554,761	5.8%
Operating Expenditures	8,010,916	7,089,731	7,331,686	241,955	3.4%
Wholesale Power Cost	99,130,924	99,700,000	92,721,000	(6,979,000)	-7.0%
Reimbursements	3,361,606	3,217,526	3,894,288	676,762	21.0%
Electric Capital	9,828,538	9,206,300	11,845,500	2,639,200	28.7%
Contingency	-	2,764,128	5,900,000	3,135,872	113.4%
SubTotal	129,049,349	131,477,110	131,746,660	269,550	0.2%
Interfund Activities	1,110,000	1,190,000	1,210,000	20,000	1.7%
Total Uses of Funds	130,159,349	132,667,110	132,956,660	289,550	0.2%



CAPITAL IMPROVEMENT PROGRAM

Capital investments and reinvestments are critical elements in the City's total financial program. Capital improvements are financed by one of four basic methods.

The first method involves the issuance of voter approved general obligation bonds generally backed and paid by property taxes. The second method is a slight variation of the first, and allows the City to issue small amounts of what are known as two-thirds general obligation bonds from time-to-time that do not require tax increases or voter approval. The third method involves revenue bonds, backed and paid by revenues from our water and sewer and our stormwater system. Revenue bonds do not require voter approval. Both general obligation and revenue bond financing involve principal, interest and cost of issuance expenses. The fourth method is pay-as-we-go capital financing. The pay-as-we-go alternative, developed and expanded in the past ten years, allows us to finance needed capital improvements from current revenues, grants and other funds, thereby avoiding the additional and higher cost associated with the issuance and financing of long-term debt.

The City has engaged Davenport & Company, LLC of Richmond, Virginia as our financial advisor since 2003. Davenport has assisted the City with general obligation and revenue bond planning and modeling, financial policies, rating agency strategies and interactions, bond issuance, investment analysis, and bond refunding analysis.

Capital investments are necessary for a city to replace existing infrastructure and to invest in new infrastructure. Debt financing of this infrastructure is a sound financial strategy as long as the borrowing is done in a strategic and conservative manner. Local policies are in place to ensure that borrowing is done responsibly, and oversight of our borrowing practices are in place through the Local Government Commission. The City is well prepared to address replacement of existing infrastructure to meet and provide for future growth and development.

Fun Fact

The first recorded municipal bond was issued by the City of New York in 1812. The bonds were issued for a canal project.

GENERAL OBLIGATION BONDS

General obligation bonds are a common type of municipal bond that are secured by the full faith and credit of the tax rate to repay bond holders. This debt instrument was used to fund the 2004 bond authorization. The majority of those projects have been completed and it is time to begin making plans for a future bond authorization. Any new GO Bond authorization will include the following steps:

- Refining the existing debt capacity model
- Developing a debt affordability model which identifies sources of repayment for existing debt service and funds available for future debt service, including accumulated reserves
- Modeling the City's Capital Improvement Plan
- Analyzing the impacts of funding scenarios relative to the City's debt capacity and affordability
- Developing a comprehensive plan of finance
- Implementing the plan of finance



TWO-THIRDS GENERAL OBLIGATION BONDS

Two-thirds bonds are State authorized General Obligation bonds that may be issued without voter approval. The statute allows a local government to issue up to 2/3 of the amount of GO bonds that were paid off in the previous year. These bonds can be used for any other general obligation purpose other than the financing of auditoriums, coliseums, arenas, stadiums, civic centers or convention centers, art galleries, museums, historic properties, public transportation systems, cable television systems or redevelopment projects.

Since 2007, Council has authorized the issuance and use of \$21,515,000 in two-thirds bonds to complete a wide variety of needed improvements.

There is a two-thirds bond issue planned for this fall for \$6.6 million. The proceeds will help fund the acquisition and renovation of a facility for the Police Department.

WATER/SEWER AND STORMWATER REVENUE BONDS

Revenue bonds are municipal bonds that finance income-producing projects that are secured by a specified revenue source, such as water and sewer or stormwater rates. Revenue bonds are issued by the government agency for operations that run in the manner of a business, with operating revenues and expenses, such as our Water & Sewer Fund. The pledge to repay the bond is guaranteed by the rates of the Water & Sewer Fund.

Over the next five years, staff has identified an estimated \$116.2 million in additional major water and wastewater bond projects. The upcoming bond issue includes approximately \$35 million in projects that were identified in the FY 2017-18 budget, but due to timing delays these bonds were not sold in the previous fiscal year.

This budget also anticipates issuing revenue bonds for the stormwater system. The amount of the bonds has not been finalized, but is anticipated to be between \$20 - \$25 million.

BOND AGENCY RATINGS

The City's capacity to finance and pay for needed improvements is evaluated from time to time by the following rating agencies: Moody's Investment Services, Standard & Poor's, and Fitch Ratings. Protecting and enhancing our bond ratings is one of our highest priorities.

The City has seen a series of bond rating upgrades since 2003, including the addition of a AAA bond rating assignment by Standard & Poor's. The City's bond ratings were re-affirmed in conjunction with our bond sale in April 2014, and Fitch Rating Services re-affirmed their ratings in March 2016. The City also received ratings related to the sale of \$35 million ion Limited Obligation Bonds for the Stadium Project in the fall of 2017. The city received an AA+ rating from S&P, and an AA- from Fitch.

Did You Know?

Local Governments in North Carolina must seek approval from the Local Government Commission prior to issuing bonds.

North Carolina has a larger percentage of "AAA" local governments than any other state, which is often attributed to LGC oversight.

CITY OF HIGH POINT CURRENT BOND RATINGS			
	Moody's	Standard & Poor's	Fitch
GENERAL OBLIGATION BONDS	Aa 1	AAA	AA+
REVENUE BONDS	Aa 2	AAA	AA+
LIMITED OBLIGATION BONDS	n/a	AA+	AA-



PAY-AS-WE-GO FINANCING

The City has made a commitment to fund a healthy level of pay-as-we-go financing for routine improvements, infrastructure maintenance, and grant matches of capital projects funded from state and federal grant programs. Below is a summary of pay-as-we-go projects in each fund.

GENERAL FUND PAY-AS-WE-GO

General Fund pay-as-we-go capital investments for FY 2018-19 are budgeted at \$4,337,000. The pay-as-we-go investments in the General Fund include:

Street Resurfacing	\$2,450,000
Fire Station Renovations	250,000
GIS Base Mapping	40,000
Parks & Rec parking lot improvements	182,000
Parks Outdoor Court improvements	80,000
Playground Equipment	75,000
Parks Greenway improvements	40,000
Tennis Center Improvements	120,000
Mendenhall Terminal Improvements	200,000
NCDOT Matching Funds	290,000
Traffic Services Storage Building	150,000
Railroad Crossing improvements	25,000
City Hall electric system upgrade	100,000
Brine Wash Basin	50,000
Bridge inspections and repairs	35,000
ERP system upgrade	250,000
General Fund Total	\$4,337,000

**Did You
Know?**

The City is responsible for maintaining over 1,300 lane miles of local and state roads within the city limits.

WATER AND SEWER PAY-AS-WE-GO

Water and Sewer pay-as-we-go capital reinvestments are budgeted at \$7,975,000. A list of 2018-19 Water and Sewer pay-as-we-go investments are shown below:

Replace Obsolete Neighborhood Water Lines	\$2,300,000
Replace Obsolete Neighborhood Sewer Lines	2,300,000
Kendale Avenue Water Main	400,000
Developer reimbursements	50,000
Water Storage tank maintenance	250,000
Meter/Control Valve – Cedrow	200,000
Willard Dairy Road Water Main	600,000
Alum Sludge Removal	375,000
NCDOT – TIP Program	50,000
Water Meter Change-out	1,200,000
Water System Improvements	125,000
Sewer System Improvements	125,000
Water & Sewer Total	\$7,975,000



ELECTRIC PAY-AS-WE-GO

The Electric pay-as-we-go projects are budgeted at \$11,095,500. Projects include:

Electric System Improvements	\$2,730,00
Automated Meter Reading	500,000
Outdoor Lighting	110,000
Hammer Substation	1,750,000
Downtown underground	3,700,000
Load Management	148,000
Street lighting	200,000
Breaker replacement	100,000
Oak Hollow T1 transformer	1,457,500
Penny Road Transformer	750,000
100kv breakers	300,000
Overhead conversion	100,000
Electric Capital Total	\$11,845,500

SOLID WASTE PAY-AS-WE-GO

The Solid Waste pay-as-we-go budget is \$1,731,900. The projects planned are:

Resurfacing – Ingleside and KV Landfill	\$350,000
Landfill land purchase	50,000
Collection cart replacement	300,000
Solid Waste Feasibility Study	150,000
MRF Phase 3 upgrades	400,000
MRF Ongoing maintenance	50,000
Kersey Valley Transfer Station	260,900
KV Phase I-IV reserve	171,000
Landfill Capital Total	\$1,731,900

OTHER PAY-AS-WE-GO

The \$10,225,000 in other 2018-19 pay-as-we-go investments includes the scheduled replacement of vehicles, normal computer and radio replacements, routine stormwater projects, and others outlined below:

Fleet Replacement Program	\$6,600,000
Fleet shop equipment	250,000
Stormwater routine projects	400,000
Stormwater – Ray St./Hospital	2,180,000
Stormwater – Jacobs Place	360,000
Computer System Replacements	435,000
Other Capital Total	\$ 10,225,000



FUND BALANCES/RETAINED EARNINGS

Fund balances and retained earnings are critical, but often misunderstood and overlooked part of the Annual Budget. Fund balances and retained earnings consist of unencumbered and unappropriated monies. They are essential for maintaining our strong bond ratings as well as maintaining positive year-round and year-to-year cash flows. Strong fund balances are essential as we plan ahead for subsequent budgets.

The North Carolina Local Government Commission recommends maintaining an 8.0% balance in each fund. This is necessary for maintaining positive year-round cash flows, reducing the need for short term borrowing, and assisting in maintaining investment grade bond rating. The High Point City Council adopted Fiscal Policy calls for a minimum 10.0% fund balance of estimated expenditures as a signal of financial strength and fiscal stability. The City of High Point applies the policy to all operating funds *except* the Water-Sewer Fund, which calls for a 50% fund balance, and the Economic Development, General Debt, and General Capital Project funds, which are covered by more specific strategic plans.

The table below summarizes changes in annual fund balances/retained earnings, including early estimates for June 30, 2018:

CITY OF HIGH POINT					
FUND BALANCE AVAILABLE FOR APPROPRIATION					
FUND	FUND BALANCE POLICY	ESTIMATED BALANCE JUNE 30, 2019	FUND BALANCE MINIMUM PER POLICY	FUND BALANCE PERCENTAGE	\$ ABOVE MINIMUM FUND BALANCE
GENERAL	10%	11,846,676	11,471,470	10.3%	375,206
GENERAL DEBT	50%	15,416,370	5,183,028	148.7%	10,233,342
ECONOMIC DEV.	n/a	1,285,890	n/a	n/a	n/a
CENTRAL SERVICE	n/a	2,221,815	n/a	n/a	n/a
WATER & SEWER	50%	31,992,205	26,928,119	59.4%	5,064,086
ELECTRIC	10%	13,876,546	13,295,666	10.4%	580,880
MASS TRANSIT	10%	1,095,115	433,149	25.3%	661,966
PARKING	10%	68,170	43,104	15.8%	25,066
SOLID WASTE	10%	1,716,391	1,679,289	10.2%	37,102
STORMWATER	10%	944,431	785,904	12.0%	158,527
TOTAL		80,463,609	59,819,729	22.4%	17,136,175



CONCLUSION

I am pleased to present to you a budget that addresses the strategic goals of the City Council of High Point. This budget continues to provide the quality programs and services our residents have come to expect and enjoy. High Point's financial condition is stable and strong. The FY 2018-19 Budget is balanced, meets all statutory requirements, and addresses many of the critical issues that Council has expressed interest in addressing.

It truly is an exciting time to be in High Point. I want to thank the City Council and the community for their interest, engagement and assistance. The success we enjoy would not be possible without the partnership of citizens and community agencies from all areas of the city. I look forward to a bright future as we continue to make High Point the single most livable, safe and prosperous community in America.

I want to acknowledge all of the staff members who assist in the preparation of this policy document. The efforts and professionalism of Eric Olmedo, Laura Altizer, Roslyn McNeill, Cindy Smith, Jeff Moore, Randy McCaslin, Randy Hemann, Jeron Hollis and the rest of our executive team are appreciated. I also thank the Mayor and City Council for your leadership and commitment to the City of High Point.

Respectfully submitted,

A handwritten signature in black ink that reads "Greg Demko".

Greg Demko
City Manager

**PUBLIC NOTICE
CITY OF HIGH POINT
BUDGET HEARING**

The public will take notice that the Proposed Budget for the City of High Point for the Fiscal Year 2018-2019 has been filed with the City Council of the City of High Point. The Proposed Budget is available for public inspection in the office of the City Clerk, 211 S. Hamilton Street, High Point, North Carolina. A copy of the Proposed Budget is also available in the High Point Public Library located at 901 N. Main Street, as well as on the City website: "<http://WWW.HIGH-POINTNC.GOV>" WWW.HIGH-POINTNC.GOV

One public hearing on the Proposed Budget will be held. The public hearing will be held on Monday, May 21, 2017 at 5:30 P.M. The hearing will be held in the City Council chambers of the Municipal Building, 211 S. Hamilton Street, High Point, North Carolina.

Oral and written comments will be received from any interested citizen at the hearing.
May 9, 2018