

CITY OF HIGH POINT

AGENDA ITEM



Title: Public Hearing- Proposed CHP Annual Budget FY 2019-2020

From: Greg Demko, City Manager

Meeting Date: June 3, 2019

Public Hearing: Yes

Advertising Date / May 20, 2019

Advertised By: Budget Office

Attachments: City Manager's Message
Legal Advertisement

PURPOSE:

To receive public comment on the proposed City of High Point 2019-2020 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 16, 2019

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

I am pleased to present the City Manager's Proposed 2019-2020 Annual Budget for your review and consideration. A budget is more than just numbers on a page. A budget is the single most important policy document a local government adopts. It is the tangible translation of the organization's mission, vision, and values into a practical and logical guide for service delivery.

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 continues to be an exciting time to be in High Point! High Point is undergoing positive 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*
- *A 1.8% electric rate decrease effective October 1.*
- *No garbage collection fee increase*
- *No stormwater fee increase*
- *No motor vehicle fee increase*
- *4% water and sewer fee increase, effective October 1*
- *Continues 0-4% pay for performance program*
- *Continues 1% city match for 401k contributions*
- *Adds 7 full time positions citywide*
- *Continues funding for redevelopment and blight removal efforts*
- *Continues neighborhood street resurfacing investments*
- *Funds anticipated 5% increase in city funded health and dental premiums*
- *Continues utility assistance program*
- *Continues partnership with Forward High Point*
- *Continues investment to reduce deferred maintenance at Parks and Recreation facilities*
- *Replaces three paratransit bus*
- *Continues fleet replacement program to replace large equipment and light duty vehicles*

STRATEGIC PLAN

The original strategic plan that was developed in March 2016 continues to guide and shape the focus of City Council and City Staff. By remaining committed to the elements of this plan we have achieved continuing progress towards these goals. This budget continues to fund programs and initiatives related to these strategic goals while 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

In addition to the three goals identified above, in January 2018 the City Council 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?

Did You Know?

Over 2,000 churches in 24 states have joined the Operation Inasmuch program. Over 27,000 volunteers nationwide have helped to serve the neediest in their communities by donating labor and materials to improve unsafe housing.

Progress on these six strategic plan elements are discussed below.

HIGH POINT YOUNG PROFESSIONALS

The goal of engaging and increasing the young professional population has continued to grow and be successful. The High Point Young Professionals (HPYP) group was formed for this purpose. HPYP is a group for locals under 40 years of age that encourages their members to connect, engage and lead in their community. The group offers networking, social and service events, and provides a platform for growth across business, civic and personal levels.

The City Council took the lead on this initiative, but realized this effort needed to be led by the business community to thrive. A partnership with Business High Point will help continue to grow this organization and create an instrument that will engage these young professionals to be leaders in the community for the next generation.



CORE CITY INVESTMENT INITIATIVE

Investment for code enforcement and blight removal in our core city continues to be a key element of addressing our strategic plan. We are seeing evidence that the multi-pronged approach we have taken is helping to stabilize property tax values and increase neighborhood pride.

As reported to Council in early May 2019 by the Community Development Director, the Core City Investment Initiative has invested \$2.6 million dollars into the core city and has had tremendous results. From July 2015 to March of 2019, this funding has helped achieve the following outcomes:

CORE CITY INVESTMENT INITIATIVE (continued)

- The Operation Inasmuch program has repaired 91 homes
- The Core City Homebuyer Incentive program has helped encourage 107 property purchases in the core city
- The City has acquired 47 underutilized residential lots from the County through the tax foreclosure program
- Demolitions of substandard housing have been performed by the City (53 cases) and by the property owner (137 cases)
- Housing violations have been repaired by the property owner in 339 cases
- Nuisance violations have been brought up to standards in 3,351 separate cases, with the work being done by the city in 1,050 cases and by the property owner in 2,301 cases
- New construction on 30 new single family homes has occurred with an investment of over \$2.5 million. This includes housing built by Community Housing Solutions (4 units), Habitat for Humanity (13 units) and Pinnacle Financial Partners (13 units)



The proposed budget continues funding of \$800,000 for the Core City Investment Initiative. The progress in the target area will continue to achieve the goals of increasing property values and community pride in our neighborhoods.

Did You Know?

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CATALYST PROJECT

The multi-purpose stadium project, which is the cornerstone of our downtown catalyst project, opened to great fanfare on May 2, 2019. BB&T Point features approximately 3,800 fixed seats and has a total capacity of 5,000. The High Point Rockers of the Atlantic League of Professional Baseball has 69 home games scheduled through September 2019.

In addition to the stadium, the City has partnered with a master developer to add additional amenities adjacent to the stadium. Elliott Sidewalk Communities has announced The Outfields, an \$80 million project that will include the following features:

- \$18.2 million, 120 room hotel with a restaurant and shops
- \$17 million mixed use retail, office and residential building
- \$23 million, 130 unit apartment building
- \$13 million parking deck
- \$2 million plaza
- \$4 million in land and utility improvements

The first building, a 55,000 square foot mixed use building at 275 North Elm Street, is expected to break ground this summer. The first announced tenant of this building, a food hall, will occupy the first floor. This building is expected to open in summer 2020.

Recent History

The High Point Rockers hosted its first home game at BB&T Point on May 2, 2019. There was a sell out crowd on hand to witness the first home run in franchise history, hit by Dante Bichette, Jr. The Rockers went on to win their first home game against the Sugarland Skeeters with a score of 3-0.



CATALYST PROJECT (continued)

A key element of creating an energized downtown High Point are facilities being developed through philanthropic efforts. Dr. Nido Qubein of High Point University is spearheading this effort.

The accompanying catalyst area projects, funded by private donors, include the Nido and Mariana Qubein Children's Museum, the Congdon Events Center and a downtown park. The announced Children's Museum is a 50,000 square foot, \$18 million dollar facility expected to open in 2020. The Events Center, much expanded from the original concept, is expected to be a new 25,000-square-foot facility connecting The Factory and Plant Seven, two historic structures adjacent to BB&T Point.



The partnership with Elliott Sidewalk Properties and collaboration with the philanthropic efforts also address our additional strategic plan goal of addressing development around and in conjunction with the Catalyst project.

UNDERPERFORMING SCHOOLS

In order to encourage more local participation in Guilford County School matters, the City Council has partnered with the Guilford County Board of Education to hold their meetings at High Point City Hall. The board has met in City Council Chambers on a quarterly basis since May, 2018. This has allowed our citizens that have a difficult time attending meetings in downtown Greensboro the ability to interact with the School Board on a more frequent basis.

UTILIZING TECHNOLOGY TO COMMUNICATE

By creating and strengthening of the Communications and Public Engagement (CPE) Department, communication and outreach to citizens continue to grow. The CPE Department has an active and engaged presence on social media on multiple platforms.

Since creating this goal in January 2018, the CPE department has increased social media engagement by incorporating Nextdoor into the community outreach model. This has allowed the department to expand the city's message onto the platform and to hear the questions and issues that are on the mind of residents. The department has also incorporated new Facebook algorithms to strategically target audiences based on their individual interests.

In addition to social media, the CPE Department has also expanded use of video technology to tell the story of the city in areas of economic development, downtown development, recreation and other community interest topics.

TOTAL FY 2019-2020 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 2019-2020 budgeted expenditures for the City of High Point amount to \$398,170,113. This is an increase of \$191,176 or 0.05% from the FY 2018-19 Budget. Below is a chart of total 2019-2020 budgeted revenues and expenditures compared to the 2018-19 Adopted Budget:

CITY OF HIGH POINT				
TOTAL BUDGET OF ALL FUNDS SUMMARY				
Fund	Adopted FY 2019 Budget	Proposed FY 2020 Budget	\$ Change Prop/Orig	% Change Prop/Orig
General Fund	114,714,702	112,090,881	(2,623,821)	-2.3%
General Debt Svc Fund	10,366,055	10,420,089	54,034	0.5%
General Capital Projects Fund	1,887,000	2,253,323	366,323	19.4%
Economic Dev. Incentive Fund	475,000	800,000	325,000	68.4%
Insurance Reserve Fund	17,437,491	19,691,335	2,253,844	12.9%
Market Authority Fund	3,040,000	3,175,000	135,000	4.4%
Special Grants Fund	4,406,381	3,991,544	(414,837)	-9.4%
CDBG Fund	3,234,941	3,153,396	(81,545)	-2.5%
Central Services Fund	17,385,020	15,046,595	(2,338,425)	-13.5%
Water Sewer Fund	53,856,238	55,891,585	2,035,347	3.8%
Water Sewer Cap Proj Fund	7,975,000	8,383,550	408,550	5.1%
Electric Fund	132,956,660	131,610,753	(1,345,907)	-1.0%
Electric Cap Proj Fund	-	1,050,000	1,050,000	100.0%
Transit Fund	4,331,485	4,524,137	192,652	4.4%
Transit Cap Proj Fund	830,000	570,000	(260,000)	100.0%
Parking Fund	431,040	378,729	(52,311)	-12.1%
Landfill Operations Fund	16,792,887	18,069,950	1,277,063	7.6%
Landfill Cap Proj Fund	-	25,000	25,000	100.0%
Stormwater Fund	7,859,037	6,624,246	(1,234,791)	-15.7%
Stormwater Cap Proj Fund	-	420,000	420,000	100.0%
Total	397,978,937	398,170,113	191,176	0.05%

FY 2019-2020 MAJOR REVENUES HIGHLIGHTS

Total revenues for FY 2019-2020 are projected to increase \$191,176, which is a .05% increase from the FY 2018-19 Adopted Budget. The FY 2019-2020 Budget proposes very few changes to our current revenue. The proposed budget keeps the property tax rate the same for the fourth year in a row, at 64.75 cents.

The proposed budget includes the following rate changes:

- Electric rate decrease of 1.8% due to a decrease in wholesale power costs from Electricities, effective October 1, 2019
- Water/Sewer rate increase of 4% effective October 1, 2019
- The combined rate changes to the average electric and water/sewer customers would result in an \$0.37 cent monthly rate increase
- Transit fare increases—regular fare/single ride ticket increase from \$1.00 to \$1.25 and senior/disabled fare increase from \$0.50 to \$0.60 that went into effect April 1, 2019
- Oak Hollow Campground RV campsite increased from \$35.00 to \$40.00 nightly effective July 1, 2019

There are no proposed rate changes for stormwater fees, garbage collection fees, or motor vehicle fees. Greater details are outlined within each fund on the following pages.

FY 2019-2020 EXPENDITURE HIGHLIGHTS

This budget continues to address issues related to the strategic plan initiatives that have been formulated and affirmed over the last three years. While we have seen a lot of progress with our initiatives and anticipate increased property values from these efforts, this is a long term effort. Our assessed valuation has increased year over year, and we anticipate this trend to continue and grow. City staff will continue to monitor the progress of valuations and will work with the Guilford County Tax Office closely in the future.

City departments were requested to identify 4% in budget reductions in the General Fund to help match expenditures to expected revenue. The Management staff reviewed these reductions and were able to reduce the General Fund budget by approximately \$1.8 million.

The reductions were made to be able to continue to invest in our most important asset: our employees. The goal was to continue the pay for performance plan, the 1% 401k match and the health and dental benefits at current levels. Another budget consideration was a recently announced the increase from the Local Government Employees Retirement System (LGERS). The LGERS rate increase and other major expenditure highlights included in the FY 2019-2020 Proposed Budget are discussed on the next page.

Did You Know?

The Piedmont Environmental Center offers 11 miles of foot trail over 376 acres of hardwood and pine forest.

With the newly completed greenway connector, the city has 11 miles of continuous paved greenway stretching from Armstrong Park to Gallimore Dairy Road.



FY 2019-2020 EXPENDITURE HIGHLIGHTS (continued)

- 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 \$1.2 million citywide. The cost by each major fund is: General Fund (\$845,000), Water/Sewer (\$100,000), Electric (\$130,000), all others (\$125,000).
- Adds a total of 7 full time positions citywide, including 1 Crime Lab and Forensics Manager in the Police Department, 1 Wastewater Operator and 2 Plant Mechanics in the Water/Sewer Fund, one Stormwater Specialist, one GIS Analyst in Electric, and one Heavy Truck Mechanic in Fleet Services. The budget also combines two part-time Warehouse Attendant positions to a full-time Warehouse Attendant position.
- Continuation of a program to match up to 1% of employee 401k contributions at a citywide cost of \$160,000 for non-sworn positions.
- Funds and increase in the Local Government Employees Retirement System (LGERS). The LGERS rate for general employees increased from 7.75% to 8.95% and increased for law enforcement officers from 8.5% to 9.7%. This increase costs approximately \$930,000 citywide. There are planned increases for LGERS contributions through 2023.
- Continues funding for redevelopment and blight removal efforts at \$800,000 to continue this integral part of the long range strategic plan
- Creation of a Workers Compensation division of the Insurance Reserve Fund. Workers Compensation charges that have been charged in departmental operating budgets will now be accounted for in the Insurance Reserve Fund.
- Continues the second 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.
- Continues funding the the Utility Assistance Program for \$200,000 annually.
- Continues investment to address deferred maintenance at Parks and Recreation facilities throughout the City. A total of \$320,000 is planned for various improvements.
- Includes transferring street lighting electricity cost from the General Fund to the Electric Fund, decreasing the General Fund by \$2.3 million annually.
- Continued investment of \$2.5 million for neighborhood street resurfacing. This is the fifth year of increased funding for resurfacing as a result of implementing the increased municipal vehicle fee.
- Replaces \$4.4 million in vehicles funded with pay-as-you-go funding from the Fleet division of the Central Services Fund.
- Includes funds to replace three paratransit busses. The total cost is \$375,000. The budget also includes \$150,000 for new and enhanced bus stop signage. The cost of these items are shared between the city, state and federal transit programs.
- Pay-as-you-go projects of \$32.7 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

A January 2019 study conducted by the Global Value Chains Center at Duke University found that the High Point Furniture Market generates more than \$6.73 billion in economic impact to the State of North Carolina.

2019-2020 MAJOR FUND SUMMARIES

GENERAL FUND

The 2019-2020 General Fund Budget of \$112,090,881 is \$2,623,821 or 2.3% less than the adopted 2018-19 budget of \$114,714,702. The FY 2019-2020 General Fund Budget is balanced with current revenues of \$112,090,881. There is no use of appropriated fund balance for the proposed budget.

General Fund revenues and expenditures are summarized below:

CITY OF HIGH POINT GENERAL FUND BUDGET SUMMARY					
Sources and Uses of Funds	FY 2018 Actual	Adopted FY 2019 Budget	Proposed FY 2020 Budget	\$ Change Prop/Orig	% Change Prop/Orig
REVENUES					
Fund Balance	-	3,043,012	-	(3,043,012)	-100.0%
Property Tax	59,139,786	61,112,628	61,815,760	703,132	1.2%
Sales & Use Taxes	27,688,002	29,568,000	30,260,000	692,000	2.3%
Intergovernmental Revenues	10,279,342	10,365,973	10,439,526	73,553	0.7%
Licenses & Permits	3,020,834	2,791,150	3,329,650	538,500	19.3%
Charges for Services	4,686,151	4,838,064	4,825,645	(12,419)	-0.3%
Miscellaneous Revenues	1,213,061	895,875	1,420,300	524,425	58.5%
Lease Purchase Proceeds	-	2,100,000	-	(2,100,000)	-100.0%
Net Total Revenues	106,027,176	114,714,702	112,090,881	(2,623,821)	-2.3%
EXPENDITURES					
Personnel Services	73,790,755	76,677,831	79,975,159	3,297,328	4.3%
Operating Expenditures	27,135,086	25,681,282	22,182,475	(3,498,807)	-13.6%
Capital Outlay	3,246,529	2,117,518	124,933	(1,992,585)	-94.1%
Debt Service	566,897	835,909	1,036,039	200,130	23.9%
Contingency	-	400,000	400,000	-	0.0%
SubTotal	104,739,267	105,712,540	103,718,606	(1,993,934)	-1.9%
Interfund Activities	9,930,315	9,002,162	8,372,275	(629,887)	-7.0%
Total Uses of Funds	114,669,582	114,714,702	112,090,881	(2,623,821)	-2.3%

Did You Know?

The John Haley house, located on the grounds of the High Point Museum, is one of the earliest surviving structures in Guilford County. It was built in 1786.



GENERAL FUND REVENUES

Below is a summary of major General Fund revenue changes:

- Property tax revenues represent 55.1% or \$61,112,628 of the total General Fund revenues. Property tax collections are projected to increase approximately \$703,132 or 1.2%. The projected collections include no change to the tax rate of 64.75 cents.

CITY OF HIGH POINT TAX RATE HISTORY	
YEAR	TAX RATE
FY 2008-09	\$0.6330
FY 2009-10	\$0.6330
FY 2010-11	\$0.6330
FY 2011-12	\$0.6620
FY 2012-13	\$0.6750
FY 2013-14	\$0.6750
FY 2014-15	\$0.6640
FY 2015-16	\$0.6500
FY 2016-17	\$0.6475
FY 2017-18	\$0.6475
FY 2018-19	\$0.6475
FY 2019-20 (proposed)	\$0.6475

Did You Know?

High Point native Lucius Benjamin "Luke" Appling was a shortstop for the Chicago White Sox from 1930-1950. He was elected to the Baseball Hall of Fame in 1964..

- Sales tax revenues represent 27.0% of General Fund revenues and are projected to increase approximately \$692,000 or 2.3% 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 \$538,500 or 19.3% due primarily to increased building activity and the impact of fee changes implemented in the previous fiscal year.
- Charges for Services and intergovernmental revenues are basically flat compared to last year with a combined increase of \$60,000.
- Miscellaneous Revenues are increasing by approximately \$524,425 due to increased interest income.
- There are no lease purchase revenues for capital expenditures planned in this year's budget.

TAX RATE AND COLLECTIONS

The proposed FY 2019-2020 tax rate is 64.75 cents, unchanged from the Fiscal Year 2018-19 rate. The value of one cent in tax rate will produce approximately \$998,000 of revenue. The total 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 \$64,064,870, the General Fund will receive \$60,700,846, and the General Debt Service Fund will receive \$3,364,024. 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 \$9,987,853,109 for FY 2019-2020, for a 2.8% increase over 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	
	Residential Property	Commercial Property	Industrial Property	Total			Assessed Value	% Inc yr/yr
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	4,581,596,716	2,093,081,705	1,036,916,309	7,711,594,730	1,724,751,200	144,885,945	9,581,231,875	4.4%
2019 (est)	4,709,881,424	2,151,687,993	1,065,949,966	7,927,519,383	1,773,044,234	148,942,751	9,849,506,368	2.8%
2020 (est)	4,723,819,508	2,204,033,570	1,082,169,860	8,010,022,938	1,835,486,595	142,343,576	9,987,853,109	1.4%

GENERAL FUND EXPENDITURES

Below is a summary of major General Fund expenditure changes:

- Personnel services are increasing \$3.3 million or 4.3%, which will continue the average 3% pay for performance merit program, which will help retain and recruit talented employees. Also included is an anticipated 5% mid-year increase to city funded health insurance premiums, an increase in Local Government Employees Retirement System contributions, and full year funding for positions added in the previous fiscal year. New position changes include funding for a Crime Lab and Forensics Manager.
- Operating expenditures are decreasing \$3.5 million or 13.6%, primarily due to budgeting street lighting electricity cost to the Electric Fund (\$2.3 million) and decreases in fleet, computer and radio allocated charges.
- Capital outlay is budgeted at \$124,933, a decrease of \$1,992,585 from the previous year. There was \$2.0 million in fire equipment purchased last year which accounted for the larger amount last year. Also included is \$1.81 million in pay as you go capital, which has increased by \$123,000 from the previous year, and \$2.5 million for street resurfacing. These projects are listed later in this message.
- Debt service related to short term operating financing for capital equipment is increasing by \$200,130 due to the lease-purchase financing agreement for fire apparatus purchased last year.

WATER AND SEWER FUND

The \$55,891,585 Water and Sewer Fund proposed budget for 2019-2020 represents a 3.8% or \$2.0 million increase from the 2018-2019 adopted budget, as summarized below:

CITY OF HIGH POINT WATER SEWER FUND BUDGET SUMMARY					
Sources and Uses of Funds	FY 2018 Actual	Adopted FY 2019 Budget	Proposed FY 2020 Budget	\$ Change Prop/Orig	% Change Prop/Orig
REVENUES					
Fund Balance	-	1,089,482	916,755	(172,727)	-15.9%
Intergovernmental Revenues	51,385,505	410,586	398,689	(11,897)	-2.9%
Charges for Services	393,661	52,031,170	53,726,141	1,694,971	3.3%
Miscellaneous Revenues	740,039	325,000	850,000	525,000	161.5%
Net Total Revenues	52,519,205	53,856,238	55,891,585	2,035,347	3.8%
EXPENDITURES					
Personnel Services	8,615,629	9,618,630	10,481,279	862,649	9.0%
Operating Expenditures	10,637,304	11,736,971	13,079,467	1,342,496	11.4%
Debt Service	16,569,466	17,000,747	16,419,196	(581,551)	-3.4%
PayGo Capital	5,639,550	8,509,356	8,684,670	175,314	2.1%
Reimbursements	5,982,945	6,540,534	6,876,973	336,439	5.1%
Contingency	-	300,000	300,000	-	0.0%
SubTotal	47,444,894	53,706,238	55,841,585	2,135,347	4.0%
Interfund Activities	50,000	150,000	50,000	(100,000)	-66.7%
Total Uses of Funds	47,494,894	53,856,238	55,891,585	2,035,347	3.8%

Fun Fact

The High Point Fire Department was organized in 1890 with volunteers. The first paid firefighters operated from a home on Trade Street owned by Mrs. Fuller, where the first fire horse was kept.

WATER AND SEWER RATES

The 2019-2020 Water and Sewer Fund includes a 4.0% water and sewer rate increase effective October 1, 2019. This increase is to fund increasing operating costs and the debt service on the ongoing capital improvement program, including \$30.8 million in water and wastewater bonds that will be issued in the June 2019. These bonds will be used for major capital projects to increase capacity and ensure safe delivery of water and water treatment for our customers. In addition to the bonds, this budget includes \$8.65 million in pay-as-you-go project funding.

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 a lack of proper long range planning. The plan has been verified by Wildan Financial Services, which creates a detailed financial model based on historical and current financial trends to project future fund performance. This verification is necessary to calculate necessary coverage ratios associated with bond covenants and maintain strong bond ratings.

WATER AND SEWER RATES (continued)

Below is a history of water and sewer rate increases:

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	10/1/2018	3.00%	3.00%
FY 2019-20 (proposed)	10/1/2018	4.00%	4.00%

FYI

The first public water system in High Point was established in 1902.

The current High Point Water and Sewer Department maintains 714 miles of water mains and lines and 658 miles of wastewater lines. The department also operates a water treatment plant and two wastewater treatment plants.

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 2019-2020 Electric Fund Budget of \$131,610,753 represents a 1.0% or \$1.35 million decrease. Rates are projected to decrease 1.8% effective October 1, 2019. The current Electricities rate projection anticipates no rate change for FY 2021 or FY 2022, then anticipates small rate increases through FY 2032. Electricities has projected that once its outstanding debt is satisfied there will be a sizable decrease in wholesale power costs. The Electric Fund has been building a rate stabilization fund for the past four years, and the long-range financial plan projects that these funds will offset and minimize future rate increases.

Wholesale power cost for FY 2019-2020 is budgeted at \$96,236,000, which is the single largest expense in the Electric Fund and citywide budget. A planned rate study is underway and will be completed in Fiscal Year 2019-2020, and results of that study will guide the city in determining future rates.

The budget plan continues to invest funds to maintain electric infrastructure, including undergrounding of electric utilities, and includes \$9.2 million in major capital projects. These routine capital investments are necessary to maintain efficient and ongoing operation of the Electric System.

Did You Know?

Tubby Smith, a 1973 graduate of High Point College, has returned to his alma mater as Head Basketball Coach. In his 28 seasons as a head coach, Smith has achieved 26 winning seasons, including a national championship with the University of Kentucky. Coach Smith is also the second coach in NCAA history to lead 5 different teams to the NCAA tournament.

CITY OF HIGH POINT ELECTRIC FUND BUDGET SUMMARY					
Sources and Uses of Funds	FY 2018 Actual	Adopted FY 2019 Budget	Proposed FY 2020 Budget	\$ Change Prop/Orig	% Change Prop/Orig
REVENUES					
Fund Balance	-	-	293,282	293,282	0.0%
Charges for Services	129,904,254	132,645,047	130,203,471	(2,441,576)	-1.8%
Miscellaneous Revenues	1,102,883	311,613	1,114,000	802,387	257.5%
Total Revenues	131,007,137	132,956,660	131,610,753	(1,345,907)	-1.0%
EXPENDITURES					
Personnel Services	9,252,918	10,054,186	10,906,611	852,425	8.5%
Operating Expenditures	8,019,580	7,331,686	8,633,621	1,301,935	17.8%
Wholesale Power Cost	97,839,072	92,721,000	96,236,000	3,515,000	3.8%
Reimbursements	3,297,526	3,894,288	3,953,021	58,733	1.5%
Electric Capital	5,786,034	11,845,500	9,271,500	(2,574,000)	-21.7%
Contingency	-	5,900,000	-	(5,900,000)	-100.0%
SubTotal	124,195,130	131,746,660	129,000,753	(2,745,907)	-2.1%
Interfund Activities	1,110,000	1,210,000	2,160,000	950,000	78.5%
Total Uses of Funds	125,305,130	132,956,660	131,160,753	(1,795,907)	-1.4%

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, described on the following pages. 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.

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

Planning is underway to seek authorization through a bond election in November 2019. Details are continuing to be refined with City Council and City Staff. The planned bond authorization will be able to be funded within the current tax rate and revenue.

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 \$28,115,000 in two-thirds bonds to complete a wide variety of needed improvements.

Fun Fact

The High Point Public Library has 296,780 in its e-book collection!

If you read one book a day, you can complete the collection in 813 years!

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 \$188 million in additional major water and wastewater projects. The long term financial plan includes bond funding \$96 million of this plan and cash funding \$92 million. \$30.8 million in Revenue Bonds are being finalized in June, 2019.

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. Our current bond ratings are listed below:

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 2019-2020 include:

Street Resurfacing	\$2,500,000
Fire Station Renovations	50,000
Parks & Rec parking lot improvements	75,000
Miracle League surface improvements	175,000
Appling Way Catalyst project	804,000
Southside Rec. Center improvements	70,000
Replacement bookmobile	150,000
Theatre renovations	75,000
GIS Base Mapping	40,000
NCDOT Matching Funds	100,000
Traffic Signal expansion	50,000
Mendenhall Terminal Improvements	70,000
Sidewalk construction	50,000
Cemetery improvements	71,000
Bridge inspections and repairs	30,000
General Fund Total	\$4,310,000

Did You Know?

High Point natives Ray and Red Hayworth both played in Major League Baseball. Ray was a catcher and played for several teams from 1926-1945. Red was also a catcher and played for the St. Louis Browns in the 1944-45 season. After their playing days were over, both brothers continued to work in front office jobs in professional baseball.

WATER AND SEWER PAY-AS-WE-GO

Water and Sewer pay-as-we-go capital reinvestments include:

Replace Obsolete Neighborhood Water Lines	\$1,750,000
Replace Obsolete Neighborhood Sewer Lines	1,750,000
Registers Creek Lift Station	1,800,000
Tanglebrook sewer outfall	1,092,550
Appling Way sewer lines	301,000
SCADA upgrade	140,000
Water Storage Tank Maintenance	100,000
Water System Assessment	150,000
Richland Creek outfall	250,000
Eastside UV System upgrade	400,000
Westside centrifuge upgrade	100,000
Security system upgrade	175,000
Alum Sludge Removal	250,000
Water System Improvements	<u>125,000</u>
Water & Sewer Total	\$8,383,550

ELECTRIC PAY-AS-WE-GO

The Electric pay-as-we-go projects include:

Electric System Improvements	\$3,154,000
Automated Meter Reading	1,000,000
Outdoor Lighting	110,000
South Main bridge replacement	300,000
Downtown underground	200,000
Street lighting	700,000
Penny Road second transformer	750,000
Jackson Lake transformer	1,457,500
Medium voltage breaker replacement	500,000
Fairfield transformer	750,000
Deep River/Penny transmission line	1,000,000
100kv breakers	300,000
Overhead conversion	<u>100,000</u>
Electric Capital Total	\$10,321,500

SOLID WASTE PAY-AS-WE-GO

The Solid Waste pay-as-we-go budget includes:

Resurfacing – Ingleside and KV Landfill	\$350,000
Landfill land purchase	170,000
Kersey Valley road relocation	1,500,000
Environmental Services building	25,000
MRF Ongoing maintenance	50,000
KV Phase I-IV reserve	<u>171,000</u>
Landfill Capital Total	\$2,266,000

Did You Know?

The High Point Electric Utility was established in 1893. The utility maintains approximately 700 miles of circuits, 13 substations and serves close to 40,000 customers.

OTHER PAY-AS-WE-GO

The other 2019-2020 pay-as-we-go investments include the scheduled replacement of vehicles, normal computer and radio replacements, routine stormwater projects, and others outlined below:

Fleet Replacement Program	\$4,400,000
Fleet shop equipment	250,000
Stormwater projects	2,415,285
Computer System Replacements	<u>678,651</u>
Other Capital Total	\$7,743,936

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 estimates for June 30, 2019:

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%	12,500,000	11,209,088	11.2%	1,290,912
GENERAL DEBT	50%	12,358,000	5,210,045	118.6%	7,147,955
ECONOMIC DEV.	n/a	1,562,000	n/a	n/a	n/a
CENTRAL SERVICE	n/a	2,750,000	n/a	n/a	n/a
WATER & SEWER *	50%	56,750,000	27,945,793	99.9%	27,887,452
ELECTRIC	10%	34,560,000	13,161,075	26.0%	21,105,643
ELECT. RATE STABIL.	n/a	19,447,152	n/a	n/a	n/a
MASS TRANSIT	10%	1,525,000	452,414	16.3%	283,111
PARKING	10%	115,000	37,873	30.4%	77,127
SOLID WASTE	10%	4,850,000	1,806,995	26.8%	3,043,005
STORMWATER	10%	6,630,000	662,425	82.4%	4,798,283
TOTAL		153,047,152	60,485,708	30.5%	65,633,488
* \$22.3 million of the Water & Sewer funds shown above the minimum fund balance have been identified to fund pay as you go capital improvements in the 5 year CIP					

CONCLUSION

I am pleased to present to you a budget that addresses the strategic goals of the City Council of High Point. This budget provides quality programs and services our residents have come to expect and enjoy, while making strategic reductions in some areas to be more efficient with limited resources. High Point's financial condition is stable and strong. The FY 2019-2020 Budget is balanced, meets all statutory requirements, and confronts many of the critical issues that Council has expressed interest in addressing.

While our work is underway, and tremendous progress has been seen in the community, there is still much to be done. We will continue to work the plan that has been laid out for us in order to make positive transformations in our 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, Bobby Fitzjohn, 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,



Greg Demko
City Manager



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0955 **Legals**

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 2019-2020 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: [HYPERLINK](http://WWW.HIGHPOINTNC.GOV)

"<http://WWW.HIGHPOINTNC.GOV>"
WWW.HIGHPOINTNC.GOV

One public hearing on the Proposed Budget will be held. The public hearing will be held on Monday, June 3, 2019 at 5:30 P.M. The hearing will be held in the City Council cham-

0955 **Legals**

bers 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.

Laura Mason Altizer
Budget & Performance
Manager
City of High Point
PO Box 230
High Point, NC 27261
May 20, 2019

PROFESSIONAL SERVICE DIRECTORY

3000 **Church Page**

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