



# City Manager's Recommended FY 2024 Operating and Capital Budget

*City Council Work Session  
June 1, 2023*

- Strategic Focus

- Focus on continuing operations and projects
- Focus on Employer of Choice – Recruitment and Retention
  - 4.00% Compensation Increases
  - 1.00% Increase to 401K Contribution
  - \$500,000 for Continued Market Adjustments
  - Fund Police Steps at 1.25x
  - Fund Fire Steps at 1.25x
- Focus on the Serving the Community
  - \$250,000 for Mental Health Coordinator
  - \$250,000 for annual commitment to Cape Fear Regional Theatre
  - \$300,000 for operations at the Day Resource Center

- Strategic Focus

- Focus on Fulfilling the City Council's Prior Commitments

- Continues the Investment in the City's infrastructure through the CIP Program
- \$2 million for MLK Park Project
- \$3.3 million Reconstruction History Center 2<sup>nd</sup> Tranche
- \$450,000 Black Voices Museum

- **Focus on Efficiency**

- **\$19.8 million efficiency/vacancy commitment**
- \$2 million reduction in PWC PILOT
- \$500,000 annual increase in Ad Valorem Tax collection cost

- Rates Needed to Maintain Services
  - General Fund
    - 2.75 cent increase for operations to offset the loss of sales tax revenues
    - 4.25 cent increase for voter-approved general obligation bond debt service
  - \$265 solid waste rate (an increase of \$40 annually or \$3.33 monthly) for residential solid waste pickup
  - No Increase to Storm Water Rate
  - No Transit Fare Increases, Resumed Collection

# General Fund Revenues

<i>General Fund Revenue</i>	Budget FY 2023	Recommended FY 2024	% Change
Ad Valorem Taxes	\$ 72,183,863	86,640,038	20.03%
Other Taxes	1,754,547	1,578,660	-10.02%
Intergovernmental Revenues	97,729,555	102,487,840	4.87%
Functional Revenues	7,284,609	6,410,738	-12.00%
Other Revenues	3,294,697	3,609,538	9.56%
Investment Income	120,195	161,300	34.20%
Other Financing Sources	2,656,016	4,297,449	61.80%
Total Revenues	\$ 185,023,482	205,185,563	10.90%

# Sales Tax Net Revenue

<i>Historical Net Sales Tax*</i>	Sales Tax	Annexation Payment	Net Sales Tax Revenue
FY 2017	\$ 39,922,499	7,496,088	32,426,411
FY 2018	41,189,439	7,684,083	33,505,356
FY 2019	43,633,583	8,103,908	35,529,675
FY 2020	45,332,265	8,624,478	36,707,788
FY 2021	52,364,572	9,108,129	43,256,443
FY 2022	59,244,980	9,709,769	49,535,210
FY 2023	59,672,060	9,128,503	50,543,557
FY 2024	67,546,074	17,000,710	50,545,364

\* Includes the Hold Harmless

<i>Ad Valorem Tax Rate Allocation In Pennies</i>	Budget FY 2023	Recommended FY 2024
Operating Budget	43.46	46.21
Voter Approved 2022 Bond DS	-	4.25
Voter Approved 2017 Bond DS	1.42	1.42
Capital Funding Commitment/DS	5.07	5.07
<b>Total Ad Valorem Rate</b>	<b>49.95</b>	<b>56.95</b>
Median Home Tax Bill	624.38	711.88

One Penny on the tax rate is estimated to yield  
\$1.51 million

- Expenditures (FY 2023 Budget to Recommended FY 2024 Budget)
  - Total Adjusted Expenditure Growth, Before Recommended Rate Increases, 7.7% (~15.6 million)
    - \$7.8 million increase in payments based on new sales tax agreement.
    - \$1.3 million increase to personnel cost based on increases in insurance, overtime and other related costs
    - \$8.96 million increase in transfers to other funds
    - (\$2.3) million total reduction in operating expenditures, contract services and capital outlay.
    - \$500,000 Increase in Ad Valorem Tax collection cost
- Total Cost of Recommended Compensation increase is ~\$6.3 million
  - \$3.5 million for Non-Sworn (includes 1% 401K)
  - \$1.7 million for FPD Next Step at 1.25x
  - \$1.1 million for FFD Next Step at 1.25x
- **Efficiency and Attrition Target of \$19.8 million**
  - The efficiency estimate is benchmarked as 15% of Personnel Services



# General Fund Operating

<i>General Fund Expenditure</i>	Budget FY 2023	Recommended FY 2024	% Change
Personnel Services	\$ 112,222,115	132,698,140	18.25%
Operating Expenditures	24,644,519	25,531,144	3.60%
Contract Services	7,857,236	7,627,696	-2.92%
Capital Outlay	7,632,971	6,292,698	-17.56%
Transfers to Other Funds	24,912,251	40,367,442	62.04%
Other Uses	11,914,794	17,995,276	51.03%
Efficiency Adjustment	-	(19,748,567)	
	\$ 189,183,886	210,763,829	11.41%

<i>Environmental Services Fund</i>	Budget FY 2023	Recommended FY 2024	% Change
<b>Sources</b>			
Intergovernmental Revenues	\$ 470,392	481,315	2.32%
Functional Revenues	14,239,207	17,001,916	19.40%
Other Revenues	60,700	33,560	-44.71%
Other Sources	3,490	16,000	358.45%
<b>Total Sources</b>	<b>\$ 14,773,789</b>	<b>17,532,791</b>	<b>18.67%</b>
<b>Uses</b>			
Personnel Services	\$ 5,716,101	6,134,322	7.32%
Operating Expenditures	3,830,721	4,314,144	12.62%
Contract Services	2,329,254	2,979,222	27.90%
Capital Outlay	2,441,847	2,205,620	-9.67%
Transfers to Other Funds	137,289	-	-100.00%
Other Uses	1,905,435	1,899,483	-0.31%
<b>Total Uses</b>	<b>\$ 16,360,647</b>	<b>17,532,791</b>	<b>7.16%</b>
<b>Residential Solid Waste Fee Annually</b>	<b>\$ 225.00</b>	<b>265.00</b>	<b>17.78%</b>

# Storm Water Utility Fund

<i>Stormwater Utility Fund</i>	Budget FY 2023	Recommended FY 2024	% Change
<b>Sources</b>			
Functional Revenues	\$ 11,562,131	11,716,604	1.34%
Other Sources	3,320	2,500	-24.70%
<b>Total Sources</b>	<b>\$ 11,565,451</b>	<b>11,719,104</b>	<b>1.33%</b>
<b>Uses</b>			
Personnel Services	\$ 3,852,788	4,361,137	13.19%
Operating Expenditures	874,204	1,000,222	14.42%
Contract Services	799,461	715,870	-10.46%
Capital Outlay	2,494	1,300	-47.87%
Transfers to Other Funds	9,481,000	12,495,770	31.80%
Other Uses	1,372,063	1,486,466	8.34%
<b>Total Uses</b>	<b>\$ 16,382,010</b>	<b>20,060,765</b>	<b>22.46%</b>
<b>Monthly Equivalent Residential Unit</b>	<b>\$ 6.00</b>	<b>6.00</b>	<b>0.00%</b>

# Transit Operating Fund (FAST)

<i>Transit Operating Fund (FAST)</i>	Budget FY 2023	Recommended FY 2024	% Change
<b>Sources</b>			
Other Taxes	\$ 649,750	653,550	0.58%
Intergovernmental Revenues	6,832,549	3,270,000	-52.14%
Functional Revenues	1,119,372	1,162,700	3.87%
Other Revenues	157,949	160,560	1.65%
Transfer from the General Fund	4,565,422	8,460,660	85.32%
<b>Total Sources</b>	<b>\$ 13,325,042</b>	<b>13,707,470</b>	<b>2.87%</b>
<b>Uses</b>			
Personnel Services	\$ 9,019,453	9,242,050	2.47%
Operating Expenditures	2,550,300	2,687,705	5.39%
Contract Services	609,716	413,565	-32.17%
Capital Outlay	16,048	16,000	-0.30%
Transfers to Other Funds	440,425	794,650	80.43%
Other Uses	689,100	553,500	-19.68%
<b>Total Uses</b>	<b>\$ 13,325,042</b>	<b>13,707,470</b>	<b>2.87%</b>

<i>All Other Fund Expenditures</i>	Budget FY 2023	Recommended FY 2024	% Change
Parking Fund	\$ 1,191,830	1,263,357	6.00%
Central Business Tax District	335,672	349,966	4.26%
E-911 Fund	960,166	960,353	0.02%
PWC Assessment Fund	2,520,000	890,000	-64.68%
Safety and Workers's Comp Fund	2,383,893	2,600,500	9.09%
Property and Liability Fund	2,469,340	2,647,114	7.20%
Risk Management Fund	21,753,501	23,944,000	10.07%
Airport Operating Fund	5,765,927	6,480,448	12.39%
LEOSSA Fund	3,148,800	3,358,228	6.65%
Fleet Management ISF	7,139,898	7,306,812	2.34%
<b>Total All Other Funds</b>	<b>\$ 47,669,027</b>	<b>49,800,778</b>	<b>4.47%</b>

- Deep evaluation of operating and programs in all funds; the goal is to bring structural balance
  - The loss of sales tax revenue will cause a fundamental reset in the City's general fund operations
- Deep evaluation of revenue opportunities, including vehicle license fees, increased transit fees and other fees and rates
- More than \$68.5 million of possible federal grants
- Continue implementation of the Employer of Choice tenets
- Continue evaluating the market to ensure competitive compensation
- Explore rate structures and revenue bonds in the Storm Water Utility
- Continuing the robust work plans across the City

## *Goals and Principles of the Process*

- Transparency
- Dialogue
- Engagement

## *Developmental Strategies*

- Council Group Discussion
- Budget Work Sessions
- Agendized Discussions, Public Hearings, and Voting

## *Considerations*

- System Challenges
- Staffing Departures and Illnesses

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|------|----------------------------------|
| June | 1 – Possible Budget Work Session |
|      | 5 – City Council Work Session    |
|      | 12 – Public Hearing              |
|      | 21 – Council Agenda Review       |
|      | 26 – City Council Meeting        |
|      | 30 – Fiscal Year End             |





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