



CITY OF WILSON

North Carolina

INCORPORATED 1849
27894-0010

OFFICE OF CITY MANAGER

May 16, 2019

Honorable Mayor C. Bruce Rose
Members of City Council
City of Wilson, North Carolina

Dear Mayor and Members of City Council:

Pursuant to Section 159-11 of the North Carolina General Statutes, I am pleased to present the Fiscal Year 2019-20 (FY 2020) Budget for your consideration. The budget is balanced, meets the requirements of the North Carolina Local Government Budget and Fiscal Control Act, and adheres to the City's financial management guidelines.

The FY 2020 budget totals \$253,406,590, an increase of 4.5% from the current budget, and recommends no change to the City's tax rate of 57.5 cents per \$100 of taxable valuation. The City's tax rate is one of the lowest taxed cities in Eastern North Carolina. The Municipal Service District rate will remain unchanged at 18 cents per \$100 of taxable valuation.

The FY 2020 budget includes a 1.8% electric rate increase for residential customer and proportionate adjustments to other rate classes. This rate increase maintains rate equality with Duke Energy and is necessary to pass on the NCEMPA wholesale rate increase that was effective April 01, 2019. Since 2016, Wilson Energy decreased residential electric rates by 22%. We remain consistent in providing efficient high quality electric service while meeting our goal of maintaining rate parity with Duke Energy Progress (DEP). To date, the Wilson Energy rate decreases have saved our customers over \$45,000,000.

The budget includes water and sewer base rate increases of \$1.00 per month and a 2% volume increase on water and sewer rates for residential customers. The Stormwater fee increases \$0.50 per month as recommended by our citizen-led Stormwater Committee to support infrastructure improvements. These rate changes are for residential customers and proportionate adjustments will be made to other rate classes.

As we have done in the past, permitting fees will increase by 3%. This inflationary increase helps support growing operating and capital needs surrounding technology in this area.

City Council has provided specific direction to preserve high levels of City services for our citizens. The budget continues to meet and exceed our service benchmarks in a fiscally responsible manner. Technology, resourceful employees, proper equipment, adequate staffing levels and a commitment to excellent customer service will allow us to serve our citizens well, while efficiencies, conservative budgeting, and maintaining our comparatively low tax rate ensures value.

Year-to-date performance for FY 2019 indicates that our year-end financials will continue to be strong, and I intend to request an allocation for employee raises this fall. As has been our practice for the last several years, I will wait until we receive the results of our annual audit before making a specific recommendation. The City will experience a 3.75% increase in employee health insurance expenses for FY 2020 at a cost of \$456,000 across all funds. By managing our own insurance funds, the City is able to improve cash flow and

maximize interest income from investments during the life of the plan to help minimize large increases. In comparison, large employers will again experience an increase of about 5 percent in health benefit costs. The City's employer contribution rate to the Local Government Retirement System will increase 1.2%, impacting the citywide budget by \$514,120.

The City's staffing levels were reduced during the recession and have not risen significantly with the increased demands of the current strong economy. Maintaining a strong team requires us to define strategic roles for each team member and through collaboration bring different strengths to the table. Our continuous staffing management plan takes into consideration not only the staff needed to maintain efficient operations, but also processes that can be improved by technology advances or additional training. As a result, staffing levels may vary from year-to-year as we shift staff between various departments to meet operational needs throughout the year to maximize productivity. Overall, staffing level needs for FY 2020 will result in a net increase of one position (Community Development Project Coordinator in Planning and Community Revitalization) in the budget.

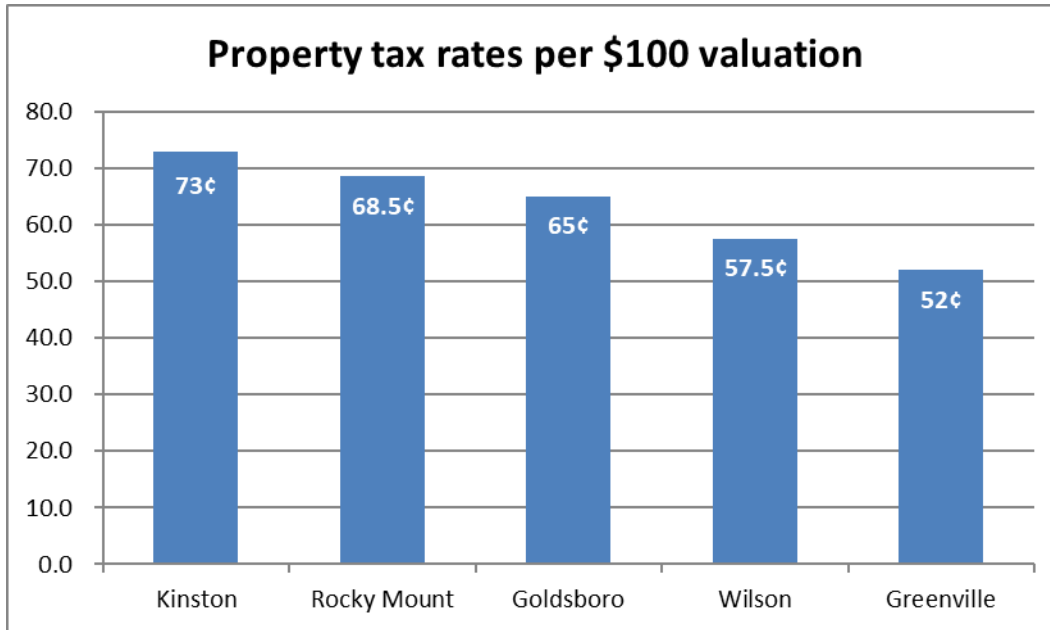
Budget Priorities

Momentum for an exciting year of continued growth and development throughout the City certainly will be realized in FY 2020. While maintaining high levels of service is a top priority, Wilson's City Council has been explicit in prioritizing the revitalization of the heart of our city, our Historic Downtown. As we have recovered from the recession, City Council has revived discussions about substantial investments in our recreation and parks facilities and the potential addition of passive recreation greenway and blueway trail systems. FY 2020 will be a year of unprecedented progress in downtown Wilson and substantial investment in our parks and recreation system, while maintaining high levels of traditional services to our citizens.

GENERAL FUND:

Revenues

The primary revenue source for the General Fund is property taxes at 48% of total revenues. Sales Tax is the second largest contributor to the General Fund at 16%, followed by sales for service revenues at 13% and intergovernmental revenues at 13%. The remaining 10% of General Fund revenue is comprised of licenses, permits, assessments, investment income, interfund transfers and miscellaneous income.



We continue to experience gradual economic growth and revenues are budgeted conservatively. Overall, we project net revenues to be slightly higher than in FY 2019. Property taxes are budgeted at a rate of \$0.575 per \$100 of valuation. Sales tax revenues, while highly sensitive to economic conditions, are projected to be up 19.46% and sales/charges for services are projected to be up 3.8% over the amount budgeted for FY 2019.

Expenditures

Departmental budgets increased by 2.65% over the FY 2019 budget. In addition to the 3.75% increase in group health insurance costs, employer retirement contribution, personnel costs, lease of radio equipment, and a new Innovation Exchange are substantial contributors to the \$1.35 million increase in expenditures. Also, funding transfers to capital projects increased \$1.6 million.

Debt Management

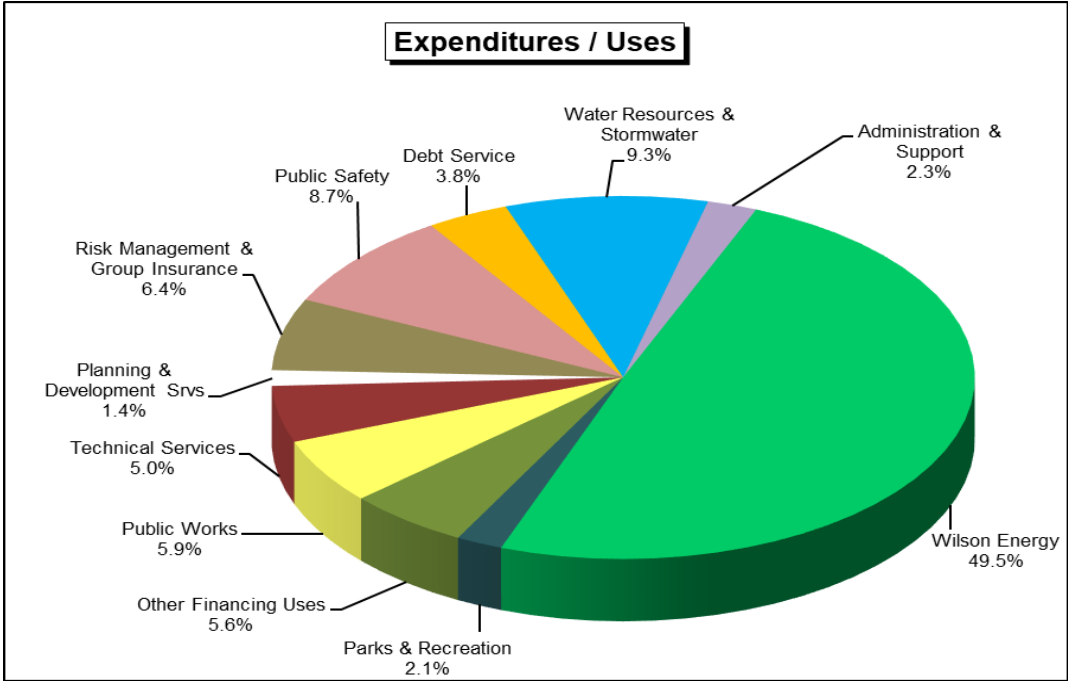
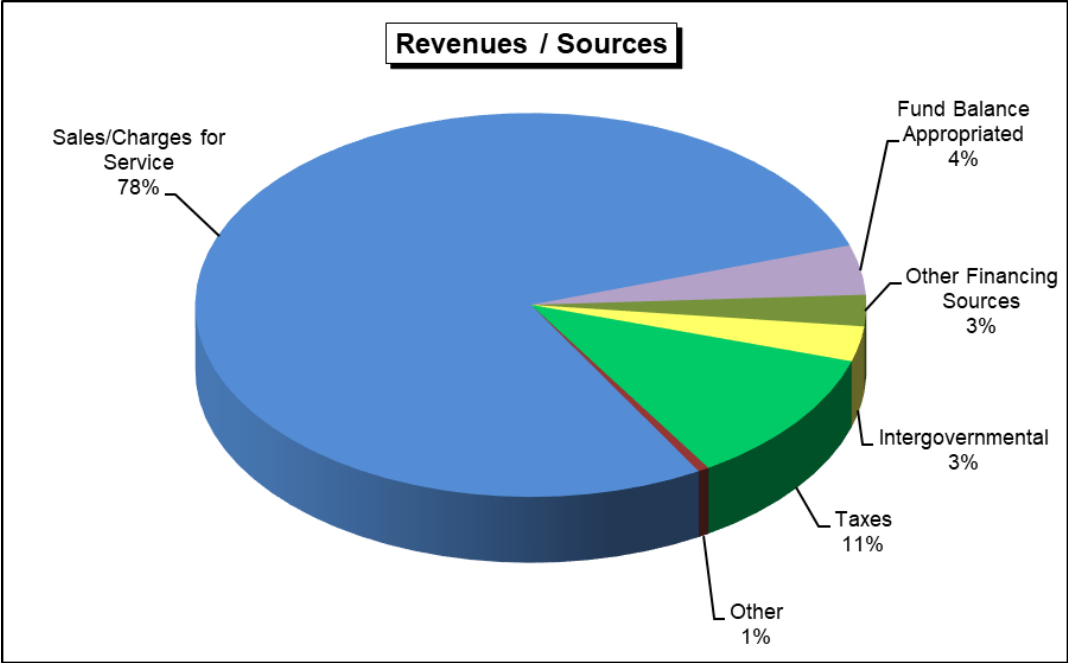
No additional new debt is planned for the General Fund in FY 2020. The amount requisite to service outstanding debt will be approximately \$354,170 as we pay down existing obligations, which will be paid off in FY 2023.

Capital Outlay

Capital in the FY 2020 General Fund budget is \$2,161,970. With initial requests totaling \$14,377,240, the list was vetted with priority given to urgent capital needs. The remaining capital requests are being deferred until FY 2021, however our strong Fund Balance allows us to address urgent needs as they arise during the year with Council-approved budget amendments.

Fund Balance

Fund Balance appropriated for FY 2020 is \$6,115,660. Conservative budgeting and prudent monitoring of revenues and expenditures has allowed the City to maintain a healthy fund balance during slower economies. The City will be slightly below its target fund balance, estimated to be about 20% at the end of FY 2020.



ELECTRIC FUND:

Revenues

In developing budget estimates for a utility fund we must estimate revenues that are highly impacted by weather conditions. We are assuming that volume sales during FY 2020 will be similar to FY 2019. Overall sales and charges for services are budgeted slightly higher (2.5%) for FY 2020.

Expenditures

For budgetary purposes, electric power purchases for resale are 1.3% higher than FY 2019. The remaining operating budget increases by 6.0% over the prior year budget.

Debt Management

There is no new debt planned for the Electric Fund in FY 2020. The amount requisite to service outstanding debt will be approximately \$1.76 million.

Transfers

The transfer to the General Fund and payment in lieu of taxes amount remains constant with previous years and in line with the City's budget policy. Also planned is a transfer to support Economic Community Investment for downtown building revitalization and improvement to U.S. 301 Corridor totaling \$281,000.

Fund Balance

No Fund Balance is appropriated for FY 2020.

GAS FUND:

Revenues

We are projecting that weather patterns for FY 2020 will be similar to FY 2019 as we experienced a trace of colder temperatures this winter. FY 2020 revenues from sales and charges for services are budgeted approximately 1.4% below the FY 2019 budget as we budget for the potential of milder weather patterns.

Expenditures

Expenditures for gas purchases are expected to increase 1.6% for FY 2020 compared to estimated expenditures for FY 2019 as the cost of transporting gas increases marginally for FY 2020.

Debt Management

There is no new debt planned for the Gas Fund in FY 2020. The amount requisite to service outstanding debt will be \$463,020.

Transfers

The transfer to the General Fund and payment in lieu of taxes amount remains constant with previous years and in line with the City's budget policy.

Fund Balance

Fund Balance appropriated for FY 2020 is \$378,780.

WATER RESOURCES FUND:

Revenues

We are projecting FY 2020 volume sales for water and sewer will be similar to those in FY 2019, where estimated volume increased by roughly 2.0% for water and 2.0.% for sewer compared to FY 2018. The FY 2020 budget includes a base fee increase of \$1.00 per month for both water and sewer and a 2% volume

rate increase. FY 2020 revenues from sales and charges for service are budgeted approximately 8.8% over the FY 2019 budget. These rate changes are for residential customers and proportionate adjustments will be made to other rate classes.

Expenditures

The total expenditures for the FY 2020 budget increased by 8.2% compared to FY 2019 budgeted expenditures.

Debt Management

There is no new debt planned for the Water Resources Fund in FY 2020. The amount requisite to service outstanding debt will be approximately \$4,069,860.

Transfers

There is \$4,919,000 in transfers from the Water Resources Fund included in FY 2020 to fund capital projects.

Fund Balance

Fund Balance appropriated for FY 2020 is \$3,476,970.

MASS TRANSIT FUND:

Revenues

FY 2020 revenues are budgeted 38.7% over FY 2019 budgeted revenues. This is primarily due to grant funding anticipated for the replacement of two transit buses.

Expenditures

Total expenditures for the FY 2020 budget are 35.1% higher in comparison to FY 2019 budgeted expenditures. This is primarily due to planned replacement of two transit buses in the upcoming year at a cost of \$1,040,000.

Transfers

There are transfers from the General, Fund, Electric Fund and Gas Fund that collectively total \$312,500.

Fund Balance

Fund Balance appropriation for FY 2020 is \$311,150.

COMMUNITY DEVELOPMENT FUND:

Revenues

Estimated revenues for loan repayments are expected to remain the same comparing FY 2020 budget to FY 2019.

Expenditures

FY 2020 expenditures are projected to be flat, with little change from the FY 2019 budget.

Transfers

There are no transfers in the FY 2020 Community Development Fund budget.

Fund Balance

Fund Balance appropriated for FY 2020 is \$120,290.

BROADBAND FUND:

The City continues to expand the use of our network to provide or improve essential services to our citizens and customers. In addition, subscribership for the broadband services we offer for purchase continues to increase, and we have numerous service contracts in place for services we provide to other local governments.

Revenues

Estimated total revenues for FY 2020 are projected to increase by 5.7% from the previous year's revenues. FY 2020 sales/charges for service revenues are budgeted about 4.9% over the FY 2019 budgeted revenues.

Expenditures

FY 2019 expenditures are projected to be approximately 4.7% over the FY 2018 expenditures. Expenditures for FY 2020 are budgeted 5.95% higher than the FY 2019 budgeted expenditures.

Transfers

There are no transfers in the FY 2020 Broadband Fund budget.

STORMWATER MANAGEMENT FUND:

Revenues

FY 2020 revenues from sales and charges for service are budgeted approximately 11.3% over the FY 2019 budget. The FY 2020 budget includes a stormwater fee increase of \$0.50 per month per equivalent residential unit (ERU).

Expenditures

FY 2020 operating expenditures are projected to be approximately 9.9% higher than the FY 2019 estimated.

Transfers

There are no transfers in the FY 2020 Stormwater Management Fund budget.

Fund Balance

No Fund Balance is appropriated for FY 2020.

SUMMARY:

The FY 2020 budget continues the City's tradition of conservative budgeting. It upholds the Police and Fire staffing levels, proposes a competitive property tax rate, and departmental operating budgets reflect modest increases. Although \$13,215,610 of capital outlay requests are included from the initial requests totaling \$26,039,820, most departmental priorities have been funded.

With competitive electric rates, a low property tax rate, the continuation of high levels of services, support for community policing, and reasonable capital investments, I trust the budget meets City Council's priorities. I look forward to working with you in the coming weeks toward adoption of our FY 2020 Budget.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Grant W. Goings". The signature is fluid and cursive, with a large loop at the end.

Grant W. Goings
City Manager