

City of Hickory North Carolina



Life. Well Crafted.

**Fiscal Year 2016-2017
Recommended Budget**



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**City of Hickory
North Carolina**

For the Fiscal Year Beginning

July 1, 2015

A handwritten signature in black ink, appearing to read 'Jeffrey R. Brown'.

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented an award of Distinguished Budget presentation to the City of Hickory for its annual budget for the fiscal year beginning July 1, 2015.

In order to receive this award a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is valid for a period of one year only. We believe our budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

Hickory City Council



Mayor – G. Rudy Wright



Ward 1 – Brad Lail
Mayor Pro Tem



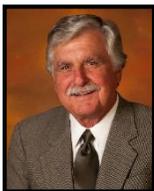
Ward 2 – Vernon Tarlton



Ward 3 – Danny Seaver



Ward 4 – Hank Guess



Ward 5 – David Zagaroli



Ward 6 – Jill Patton

City of Hickory Recommended Budget



Fiscal Year
July 1, 2016 – June 30, 2017



To deliver high quality services through excellent and ethical coworkers focused on innovation, communication, and customer service.

City Administration

City Manager	Mick Berry
Assistant City Manager/CFO	Rodney Miller
Assistant City Manager	Andrea Surratt
Public Services Director	Chuck Hansen
Police Chief	Tom Adkins
Fire Chief	Fred Hollar
Parks and Recreation Director	Mack McLeod
Planning Director	Brian Frazier
Library Director	Sarah Greene
Deputy City Attorney	Arnita Dula
Communications and Marketing Manager	Dana Kaminske
Airport Manager	Terry Clark
Finance Officer	Melissa Miller
Human Resources Manager	Claudia Main
Information Technology Manager	Mike Woods

Introduction

From the Council and staff of the City of Hickory, welcome. The pages in this document represent our plans to utilize the City's resources to continue a quality of life that is safe, clean, prosperous, and enjoyable. Hickory is our home, and we take pride in having the opportunity to improve the City through our professional lives every day. We are pleased that by reading through this document you share our desire to enhance one of the most vibrant cities in the nation. We hope that readers at all levels of budget experience will find this document to be an informative presentation of the challenges and opportunities that face the City of Hickory.



Mayor, City Council, City Manager and City Attorney

Municipal budgets can be complex and confusing. Discussions often present the same information from more than one perspective. Technical terms like “Unrestricted Intergovernmental Revenue,” for example, can also be confusing, so this document attempts to define and clarify terms wherever necessary. Should it fail to do so, please contact the City Manager’s Office at (828) 323-7412. Please note, however, that the City of Hickory’s budget document emphasizes functional areas of City responsibilities (e.g., Public Safety, Transportation), and does not isolate organizational units or account groupings independently. While the document may present and discuss several pictures of the same budget, centering the discussion on these major themes (functions) facilitates budget discussion at a much broader level.

The layout of the document is intended to take the reader from the broadest budget presentations (trends, consolidated totals, etc.) to the more specific budget presentations (individual department budgets, specific projects, etc.). Realizing that information needs are different for every reader, the document is divided into sections to provide easy “flip-to” access.

Introduction

City Manager's Message: The City Manager discusses the major issues that affect City operations. In essence, the City Manager defines the costs of the issues facing the City (expenditures) and proposes the resources (revenues) to apply to each issue.

Budget Overview: Fund and functional area highlights are outlined as well as personnel, operational and capital summary totals.

Budget Ordinance: The actual legally binding ordinance that establishes the new annual budget.

City Council Priorities and Action Plan: Council's priorities for the next fiscal year are established. Fiscal management policies are also presented, including modifications for the new year.

Budget Guide: How does the City develop its budget document, and what do all the pages of numbers and tables mean? This section dissects the structure of the budget, and explains the relationships between its many facets. We recommend that the novice reader start here to gain an understanding of the budget.

Consolidated Budget Summary: The document begins to evaluate the numbers that have been articulated in the *City Manager's Message* and officially proposed in the *Budget Ordinance*. A context for the budget begins to develop as it is related to budgets of previous years. Consolidated summaries, as well as the detail underlying budget decisions, focus on the premises used to develop the budget. This section presents trends and assumptions for revenues and expenditures, as well as discussions of fund balance projections and personnel projections.

About City Services: This section includes brief descriptions of the various City departments and divisions, and the responsibilities of each.

Debt Service: The City's debt position is discussed with projections for future debt needs.

City Manager's Message



2016-2017 Recommended Budget



City of Hickory
Post Office Box 398
Hickory, NC 28603
Phone: (828) 323-7412
Fax: (828) 323-7550
Email: mberry@hickorync.gov

Office of the City Manager

May 17, 2016

The Honorable Rudy Wright, Mayor
Members of the City Council
Hickory, North Carolina

Dear Mayor Wright and Members of the City Council:

Pursuant to Section 159-11 of the North Carolina General Statutes, I am pleased to present the Recommended City Budget for FY2016-2017 for your review and consideration. The \$93,510,834 annual spending plan is balanced and prepared in accordance with generally accepted budget standards.

The General Fund budget is recommended at \$47,989,733, a 4.1% increase over the current year. The property tax rate remains at \$.5665 cents per \$100 and no new positions are recommended. A 3% or 2% (depending on performance) annual increase is recommended for full-time City coworkers. Minor adjustments in prescription copays are recommended for the City's health insurance policy, but it continues to be fully funded by the City and other employee benefits remain unchanged.

The Water and Sewer Fund is proposed at \$24,969,585, a (12.3%) decrease from the prior year. Consistent with City Council Policy, utility rates are increased by the CPI along with a maintenance fee for water/sewer infrastructure which totals 1.8% to our customers. The sizeable decrease is due to three major projects totaling \$5.5 million for water and sewer line replacements in the downtown area and a replacement generator at the water plant that was funded in FY2015-2016.

Last year, residents received new 96 gallon roll out recycling containers, which has significantly increased the volume and number of recyclable items. Continuing an effort to promote self-sufficiency, the monthly sanitation rate is recommended to increase by \$1 per month from \$18.50 to \$19.50, which remains below many of our peers statewide.

The 42 member bond commission completed their initial work to determine the scope of projects to be included in the \$40 million bond package. The second phase of their work will commence with the selection of design engineers to provide the final details of each project and to begin construction. The actual issuing and repayment of the bonds is not anticipated to take place in FY2016-2017, but the budget will need to be amended during

the year to appropriate funds from reserves (fund balance) to pay those engineering, architecture, and design contracts which we do anticipate entering into during the year. The reserves will then be replenished from bonds funds, expected to be issued in FY2017-2018.

While the “Crafting Hickory” bond projects are center stage, I want to remind City Council and residents of the outstanding services provided day in and day out by our exceptional City coworkers. Crime rates are down, emergency response times are low, recreation and library services are highly valued, and we operate an award-winning regional utility system. Street and sanitation employees keep our City safe and clean, and we are grateful for the partnership between residents and employees which make Hickory such a wonderful and desirable community.

Sincerely,

A handwritten signature in black ink, appearing to read "Mick W. Berry". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Mick W. Berry
City Manager

Budget Overview



2016-2017 Recommended Budget

Budget Overview



FY2016-2017 RECOMMENDED BUDGET OVERVIEW

<u>Operating Funds</u>	<u>Recommended Budget Amount</u>
General Fund	\$47,989,733
Water and Sewer Fund	24,969,585
Sludge Composting Fund	1,726,338
Stormwater Fund	267,702
Transportation Fund	2,591,027
Solid Waste Fund	4,645,860
Total	\$ 82,190,245
<u>*Internal Service Funds</u>	
Capital Reserve Fund	\$1,660,000
Fleet Maintenance Fund	2,666,033
Insurance Fund	6,994,556
Total	\$ 11,320,589
All Funds Total	\$ 93,510,834

*The Internal Service Funds are supported by budgetary transfers from the Operating Funds they serve. Even though including them in the overview above creates a double counting, to exclude them would not give a comprehensive view of the City's budget.

THE FUNDS OF THE ADOPTED BUDGET

General Fund

The General Fund contains all the governmental services that do not generate sufficient revenue to support their activities including Police, Fire, Recreation, Public Services, Library, Planning and Development, Code Enforcement, Administration, and Governing Body. This fund also transfers portions of its revenue to support the City's Stormwater Fund, the Capital Reserve Fund, and Residential Refuse Collection and Recycling operations in the Solid Waste Fund.

In the FY2016-2017 Budget, the General Fund is balanced with a property tax rate of fifty-six and sixty-five ten thousandths (\$0.5665) per one hundred dollars (\$100) valuation. This keeps the tax rate the same as FY2015-16, the adoption of which was the first tax increase in 20 years. During FY2016-17 this rate will provide \$24,800,000 in property tax revenue. The property tax base is estimated to be \$4,565,919,360. The City's property tax base has increased \$150,741,139 over the FY2015-2016 amount.

The FY2016-2017 General Fund Budget totals \$47,989,733.

Water and Sewer Fund

The Water and Sewer Fund contains all water production, water distribution, wastewater collection and wastewater treatment activities of the City. This fund is totally self-supporting, meaning it receives no supplement from any other fund to support its operations.

Budget Overview



There is a 1.8% increase proposed in water and sewer rates for FY2016-2017. Water and sewer operations have experienced material and energy cost increases over the past year but only nominal growth in its customer base, therefore necessitating this increase.

The FY2016-2017 Water and Sewer Fund Budget totals \$24,969,585.

Sludge Composting Fund

The Sludge Composting Fund contains all sludge (wastewater by-product) management activities of Hickory, Conover and Catawba County.

A consortium consisting of Hickory, Conover, and Catawba County manages the Sludge Composting Fund. This fund receives its revenues from those jurisdictions. The finances of the fund are managed by the City of Hickory, and its budget is contained within the City of Hickory's Annual Budget.

The FY2016-2017 Budget for the Sludge Composting Fund totals \$1,726,338.

Stormwater Fund

The Stormwater Fund contains all the activities related to complying with Federal and State Stormwater Regulations. It is jointly funded by both the General Fund and the Water and Sewer Fund, each of which contributes half the Fund's cost.

The FY2016-2017 Stormwater Fund Budget totals \$267,702.

Transportation Fund

The Transportation Fund contains all Airport activities of the City. The Hickory Regional Airport assumed Fixed Based Operations responsibilities in December 2011. This fund is totally self-supporting, meaning it receives no supplement from any other fund to support its operations.

The FY2016-2017 Budget for the Transportation Fund totals \$2,591,027.

Solid Waste Fund

The Solid Waste Fund contains the following divisions: Residential Collection, Recycling, and Commercial Bulk Services.

The Solid Waste Fund is largely supported by the Solid Waste Fee which is paid by all residential solid waste customers in the City. For FY2016-2017 this fee is recommended to increase by \$1.00 from \$18.50 per month to \$19.50 per month. This increase reflects City Council's goal of moving the Solid Waste Fund towards self-supporting status.

The FY2016-2017 Solid Waste Fund Budget totals \$4,645,860.

Capital Reserve Fund

The Capital Reserve Fund exists as a financial tool to help in the funding of future capital projects. It is the City's practice to budget up to two (\$0.02) cents of the property tax rate towards the Capital Reserve Fund to ensure the availability of funds necessary for capital projects such as buildings,

Budget Overview



equipment, vehicles and infrastructure. The City also sets aside a portion of its Water and Sewer Fund revenue for future water and sewer related capital purchases and projects. Without adequate funding provided to the Capital Reserve Fund, the City would have to rely more heavily on its Fund Balance or debt financing for major capital purchases.

In the FY2016-2017 Budget, the General Fund and Water and Sewer Fund will both make financial contributions to the Capital Reserve Fund. The amounts will be \$920,000 and \$740,000 respectively.

The total budget for the Capital Reserve Fund for FY2016-2017 is \$1,660,000 which includes the appropriations toward major capital purchases and projects.

Fleet Maintenance Funds

The Fleet Maintenance Fund contains all vehicle and equipment maintenance activities of the City. This is an Internal Service Fund, meaning this fund accounts for activities that serve other funds within the City's budget structure. The North Carolina General Statutes do not require that Internal Service Funds be included in the Annual Budget; however, they are included in this budget to more fully disclose all the financial operations of the City.

The FY2016-2017 Budget for the Fleet Maintenance Fund totals \$2,666,033.

Insurance Fund

The Insurance Fund contains all insurance (health, dental, property/casualty, liability and worker's compensation) activities of the City. This is an Internal Service Fund, meaning this fund accounts for activities that serve other funds within the City's budget structure. The North Carolina General Statutes do not require that Internal Service Funds be included in the Annual Budget; however, they are included in this budget to more fully disclose all the financial operations of the City.

The FY2016-2017 Budget for the Insurance Fund totals \$6,994,556.

EXPENDITURES BY FUNCTIONAL AREA

Not only are expenditures accounted for in the various funds, they are also organized into functional areas. Below you will find those functional areas as well as a sampling of programs, expenditures and purchases contained in the FY2016-2017 Budget.

General Government (Governing Body, City Manager's Office, Office of Communications, Finance, Human Resources, Information Technology, Budget Office, City Clerk, Legal, Engineering, District Court, Public Services Administration, Central Services, Landscape Services, Public Buildings, Insurance Fund, Fleet Maintenance)

- Continued Participation in the North Carolina Performance Measurement Project
- Public Art Commission Funding
- Community Appearance Commission Funding
- Neighborhood College
- Coworker Appreciation Day

Budget Overview

- Coworker Service Awards Program
- Coworker Quality Awards Program
- Coworker Health Fair
- Safety Consulting Services
- Technology Upgrades
- GIS Database Maintenance Services (WPCOG)
- Contracted Legal Services (City Attorney)

Public Safety (Police, Code Enforcement, Fire, Hickory Rural Fire District)

- Catawba County Animal Shelter Funding
- Replacement of Police Communications Equipment
- Replacement Police Vehicles and Accessories
- Expansion of the Police Camera Program
- Replacement of Police Weapons
- Spay/Neutering Program
- Fire Department Suppression Equipment
- Mandated Fit and Flow Testing for Fire SCBA equipment

Transportation (Traffic, Street, Airport, Airport – FBO)

- Installation of Traffic Signal Equipment
- Maintenance of Traffic Signal System
- Street Resurfacing
- Street Maintenance
- Right-of-Way Mowing
- Roadside Litter Contract
- Continued Implementation of the Sidewalk/Bikeway Master Plan (\$5 vehicle fee)

Environmental Protection (Water and Sewer Administration, Wastewater Collection System, Henry Fork Wastewater Treatment Plant, Northeast Wastewater Treatment Plant, Hickory-Catawba Wastewater Treatment Plant, Water Treatment Plant, Pretreatment & Lab Division, Water Distribution System, Sludge Composting Facility, Recycling, Residential Sanitation, Commercial Bulk Services, Stormwater)

- Administration of Federal Stormwater Regulations
- Provide Water and Sewer Taps to Habitat for Humanity projects
- Sanitary Sewer Overflow Program
- Water Tank Maintenance Program
- Water Consumer Confidence Report
- Contract with Veolia Water North America for Sludge Composting Facility Operations
- Provide 66% of the Funding for the Sludge Composting Facility Operations (3 Member Consortium)
- Contract with Republic for Recycling Services (Single Stream)
- Contract for Yard Waste Grinding Services
- Contracted Labor for Leaf Collection
- Replacement of Cardboard Recycling Containers

Budget Overview



- Replacement of Multifamily Recycling Containers
- Replacement of Residential Sanitation Containers
- Replacement of Commercial Bulk Dumpsters

Economic and Community Development (Planning and Development, External Economic Development Appropriations, Business Incentives)

- Hickory-Conover Tourism Development Authority (Funding for Convention and Visitors Bureau Marketing)
- Community Relations Council Funding
- Catawba County Economic Development Corporation Funding
- Funding for the Hickory Downtown Development Association
- Neighborhood Grant Program
- Façade and Landscape Grant Program
- Vacant Building Revitalization and Demolition Grant Program
- Business Incentives Program

Culture and Recreation (Recreation, Parks Maintenance, LP Frans Stadium, Library, Culture & Recreation Special Appropriations)

- Recreation Facility Upgrades
- Recreation Fitness Equipment Replacement
- Priority Facility Use Agreement With Hickory Public Schools
- Funding for Library Technology Upgrades
- Funding for United Arts Council of Catawba County
- Funding for the SALT Block

Other Financing Uses

- General Fund Transfer to Solid Waste Fund to support operations
- General Fund Transfer to General Capital Reserve (2 cents policy)
- Water and Sewer Fund Transfer to General Capital Reserve

Debt Service

- Hickory Metro Convention Center – General Fund
- Ridgeview Recreation Center – General Fund
- Stanford Park – General Fund
- Revenue Sharing Projects with Catawba County – Water and Sewer Fund
- City of Conover (Northeast Sewer) – Water and Sewer Fund
- Henry Fork Wastewater Treatment Plant – Water and Sewer Fund
- Annexation Area II Utilities – Water and Sewer Fund
- Maiden Waterline – Water and Sewer Fund
- North East Waste Water Treatment Plant – Water and Sewer Fund
- Henry River Basin Sewer Project – Water and Sewer Fund
- Hickory-Catawba Waste Water Treatment Plant – Water and Sewer Fund
- Cripple Creek Sewer Outfall – Water and Sewer Fund

Contingency

- General Fund maintains Contingency Funding at a level up to 1.5% of Recurring Revenue
- Water and Sewer Fund has no official contingency target, but generally maintains Contingency Funding equal to between 0.5% and 1% of Recurring Revenue

MASTER PLANS AND CITY INITIATIVES

The City has developed a number of master plans and initiatives to help guide both service delivery and development. These plans and initiatives are as follows:

- Inspiring Spaces Plan/Bond Projects: This is a multi-year plan which was developed to improve physical connectivity within the City, as well as to improve public spaces and sustainability for areas throughout Hickory. Since the scope and scale of this plan is so broad, funding mechanisms for this plan are currently being developed. This plan was developed between 2012 and 2014.
- Landscape Master Plan: This plan prioritizes planting projects and appearance issues. It was accepted by City Council in FY1996-1997.
- Parks and Recreation Master Plan: The Parks and Recreation Master Plan prioritizes current and future Parks and Recreation projects. It was accepted by City Council in FY1997-1998.
- Hickory Horizons: This is the City's strategic plan for maintaining and improving Hickory's economic stability, growth and quality of life through regional leadership, recognition of the importance of the Hickory Metropolitan Area and coordinated approaches to common local government issues. The Hickory Horizons Report was first adopted in 1987 and was comprehensively updated in 1995. In 1997, the City Council held its first Hickory Horizons Congress with participation from throughout the Hickory Metro to promote implementation of key regional goals and programs.
- Sidewalk and Bikeway Master Plan: This plan prioritizes sidewalk projects citywide, requires space for bikeways with the design and construction of new roads, and is proposed to be implemented over a 20 to 25 year period. A \$5 vehicle fee was implemented in FY1998-1999 to support this plan. This master plan was originally adopted in FY1997-1998, and was updated in FY2000-2001.
- Business/Industrial Master Plan: This plan proposes continued funding for economic development activities and sets guidelines for companies receiving economic incentives. This master plan was adopted by City Council in FY1996-1997 and updated in FY2003-2004.
- Water & Sewer Extension Plan: The Water and Sewer Extension Plan identifies major water and sewer system extensions over the next five years. This plan was developed in FY1996-1997.
- Library Long-range Plan: This plan identifies service expansion goals and facility/equipment enhancements and is funded as part of on-going library budgets.
- Airport Master Plan: Developed in 1990, the Airport Master Plan addresses the needs of the Airport and provides suggestions and recommendations for future needs and requirements of the Airport facility to satisfy the region's aviation demands.
- Neighborhood Focus: To date, twelve (12) self-identified neighborhoods have been recognized within the City and the City Manager has assigned a senior staff person to serve as a liaison with each group. City Council has approved two grant programs to assist neighborhood organizations

Budget Overview



to sustain their organizations and undertake neighborhood improvements. There have been six individual neighborhood plans developed to date, and they are:

- Ridgeview - Adopted in 1992, updated in 1995 and 1999.
 - Kenworth - Originally adopted in 1997, updated in 2002. Readopted in 2003.
 - Green Park - Adopted in 1998.
 - West Hickory/Westmont - Adopted in 2000.
 - Highland - Adopted in 2002.
 - Claremont – Adopted in 2008.
- Hickory by Choice: This Comprehensive Land Use and Transportation Plan for Hickory was originally adopted in 1986. There are limited expenditures associated with this plan, as most of it relates to the City's land use and transportation policy. The City updated and revised this plan in FY2000-2001, and then again in FY2010-2011.

Budget Ordinance



2016-2017 Recommended Budget

Annual Budget Ordinance



CITY OF HICKORY Budget Ordinance Fiscal Year 2016-2017

BE IT ORDAINED by the Governing Board of the City of Hickory, North Carolina:

SECTION 1: It is estimated that the following revenues will be available in the General Fund for the Fiscal Year beginning July 1, 2016 and ending June 30, 2017:

Ad Valorem Taxes	\$25,390,000
Other Taxes	14,500,000
Unrestricted Intergovernmental Revenues	595,000
Restricted Intergovernmental Revenues	2,054,401
Licenses and Permits	7,200
Sales and Services	1,750,359
Investment Earnings	125,000
Miscellaneous	318,000
Other Financing Sources	<u>3,249,773</u>
	\$47,989,733

SECTION 2: The following amounts are hereby appropriated in the General Fund for the operation of the City government and its activities for the Fiscal Year beginning July 1, 2016 and ending June 30, 2017, in accordance with the chart of accounts heretofore established for this City:

General Government	\$ 6,272,335
Public Safety	23,271,046
Transportation	6,262,037
Economic and Community Development	2,981,290
Culture and Recreation	5,937,195
Other Financing Uses	1,200,311
Debt Service	1,415,519
Contingency	<u>650,000</u>
	\$47,989,733

SECTION 3: It is estimated that the following revenues will be available in the Water and Sewer Fund for the Fiscal Year beginning July 1, 2016 and ending June 30, 2017:

Restricted Intergovernmental Revenues	\$ 1,181,577
Sales and Services	21,716,880
Investment Earnings	50,000
Miscellaneous	340,000
Other Financing Sources	<u>1,681,128</u>
	\$24,969,585

Annual Budget Ordinance



SECTION 4: The following amounts are hereby appropriated in the Water and Sewer Fund for the operation of the water and sewer utilities for the Fiscal Year beginning July 1, 2016 and ending June 30, 2017, in accordance with the chart of accounts heretofore established for this City:

Environmental Protection	\$19,892,096
Other Financing Uses	1,157,697
Debt Service	3,619,792
Contingency	<u>300,000</u>
	\$24,969,585

SECTION 5: It is estimated that the following revenue will be available in the Sludge Compost Fund for the Fiscal Year beginning July 1, 2016 and ending June 30, 2017:

Restricted Intergovernmental Revenues	<u>\$1,726,338</u>
	\$1,726,338

SECTION 6: The following amounts are appropriated in the Sludge Compost Fund for the Fiscal Year beginning July 1, 2016 and ending June 30, 2017, in accordance with the chart of accounts heretofore established for this City:

Environmental Protection	<u>\$1,726,338</u>
	\$1,726,338

SECTION 7: It is estimated that the following revenue will be available in the Stormwater Fund for the Fiscal Year beginning July 1, 2016 and ending June 30, 2017:

Other Financing Sources	<u>\$267,702</u>
	\$267,702

SECTION 8: The following amounts are appropriated in the Stormwater Fund for the Fiscal Year beginning July 1, 2016 and ending June 30, 2017, in accordance with the chart of accounts heretofore established for this City:

Environmental Protection	<u>\$267,702</u>
	\$267,702

SECTION 9: It is estimated that the following revenues will be available in the Transportation Fund for the Fiscal Year beginning July 1, 2016 and ending June 30, 2017:

Sales and Services	\$2,584,027
Restricted Governmental Revenues	6,000
Investment Earnings	<u>1,000</u>
	\$2,591,027

Annual Budget Ordinance



SECTION 10: The following amounts are appropriated in the Transportation Fund for the operation of Transit and Airport activities for the Fiscal Year beginning July 1, 2016 and ending June 30, 2017, in accordance with the chart of accounts heretofore established for this City:

Transportation	<u>\$2,591,027</u>
	\$2,591,027

SECTION 11: It is estimated that the following revenues will be available in the Solid Waste Fund for the Fiscal Year beginning July 1, 2016 and ending June 30, 2017:

Other Taxes	\$ 25,000
Sales and Services	4,241,400
Investment Earnings	5,000
Miscellaneous	3,000
Other Financing Sources	<u>371,460</u>
	\$4,645,860

SECTION 12: The following amounts are appropriated in the Solid Waste Fund for the operation of recycling, residential solid waste collection and commercial bulk services activities for the Fiscal Year beginning July 1, 2016 and ending June 30, 2017, in accordance with the chart of accounts heretofore established for this City:

Environmental Protection	<u>\$4,645,860</u>
	\$4,645,860

SECTION 13: It is estimated that the following revenue will be available in the Capital Reserve Fund for the Fiscal Year beginning July 1, 2016 and ending June 30, 2017:

Other Financing Sources	<u>\$1,660,000</u>
	\$1,660,000

SECTION 14: The following amounts are hereby appropriated in the Capital Reserve Fund for the Fiscal Year beginning July 1, 2016, and ending June 30, 2017 in accordance with the chart of accounts heretofore established for this City:

Other Financing Uses	<u>\$1,660,000</u>
	\$1,660,000

SECTION 15: The following amounts form the revenue portion of the financial plan for the Fleet Maintenance Fund:

Sales & Services	<u>\$2,666,033</u>
	\$2,666,033

Annual Budget Ordinance



SECTION 16: The following amounts form the expenditure portion of the financial plan for the Fleet Maintenance Fund:

General Government	<u>\$2,666,033</u>
	\$2,666,033

SECTION 17: The following amounts form the revenue portion of the financial plan for the Insurance Fund:

Sales & Services	\$6,917,094
Investment Earnings	40,000
Other Financing Sources	<u>37,462</u>
	\$6,994,556

SECTION 18: The following amounts form the expenditure portion of the financial plan for the Insurance Fund:

General Government	<u>\$6,994,556</u>
	\$6,994,556

SECTION 19: The operating funds encumbered on the financial records of June 30, 2016 are hereby reappropriated into this budget.

SECTION 20: There is hereby levied a property tax at the rate of fifty-six and sixty-five ten thousandths cents (\$0.5665) per one hundred dollars (\$100) valuation of property as listed for taxes as of January 1, 2016, for the purpose of raising the revenue listed as “Ad Valorem Taxes” in the General Fund in Section 1 of this ordinance. This rate is based on a total estimated valuation of property for the purposes of taxation of \$4,565,919,360 and the Fiscal Year 2015-2016 estimated rate of collection of 98.2%.

SECTION 21: The corresponding “FY 2016-2017 Schedule of Fees” is approved with the adoption of this Annual Budget Ordinance.

SECTION 22: The City Manager (Budget Officer) is hereby authorized to transfer appropriations as contained herein under the following conditions:

- a. He may transfer amounts between line-item expenditures within the same functional area within a fund without limitation and without a report being required.
- b. He may transfer amounts up to \$50,000 between functional areas including contingency appropriations, within the same fund. He must make an official report on such transfers at the next regular meeting of the Governing Board.
- c. He may not transfer any amounts between funds, except as approved by the Governing Board in the Annual Budget Ordinance as amended.

Annual Budget Ordinance



SECTION 23: The City Manager (Budget Officer) is hereby authorized to execute agreements, within funds included in the Budget Ordinance or other actions by the Governing Body, for the following purposes:

- a. Form grant agreements to public and non-profit organizations
- b. Leases of routine business equipment
- c. Consultant, professional, or maintenance service agreements
- d. Purchase of supplies, materials, or equipment where formal bids are not required by law
- e. Applications for and agreements for acceptance of grant funds from federal, state, public, and non-profit organizations, and other funds from other governmental units, for services to be rendered which have been previously approved by the Governing Body
- f. Construction or repair projects
- g. Liability, health, life, disability, casualty, property, or other insurance or performance bonds
- h. Other administrative contracts which include agreements adopted in accordance with the directives of the Governing Body

SECTION 24: Copies of the Annual Budget Ordinance shall be furnished to the City Clerk, to the Governing Board and to the City Manager (Budget Officer) and the Finance Officer to be kept on file by them for their direction in the disbursement of funds.

Adopted this 21st day of June, 2016

Rudy Wright
Mayor

Attest:

Debbie Miller
City Clerk

City Council Priorities and Action Plan



2016-2017 Recommended Budget

City Council Priorities and Action Plan



HICKORY CITY COUNCIL'S FY2016-2017 PRIORITIES AND ACTION PLAN

Strategic Priority: Attract and Retain Jobs and People

1. Implement Bond Projects
 - A. Continue community involvement through the Bond Commission and other outreach efforts to gain insights and feedback on project design, phasing and scope.
 - B. Use pre-engineering data and Bond Commission input to determine phasing and scope.
 - C. Use best practices to select design professionals and begin design of bond projects.
 - D. Implement financing plan to address both pre-issuance costs and timing of bond issuance.
 - E. Maintain best practices for financial transparency and communication.

Strategic Priority: Economic Growth & Transportation

1. Promote Economic Development and Jobs
 - A. Pursue development partnerships and opportunities for hi-tech manufacturing at Business Park 1764.
 - B. Establish development opportunities and parameters along the City Walk.
 - C. Implement new design standards for smart growth in city limits.
 - D. Maintain investment in NC Data Campus project to attract and secure business development in region.
 - E. Continue marketing the remaining industrial sites at Fairgrove Business Park and other City owned industrial properties.
 - F. Promote the redevelopment of obsolete manufacturing facilities.
 - G. Continue an aggressive Code Enforcement program for owner-abated commercial demolitions.
 - H. Continue an aggressive program of utilizing Vacant Building Revitalization and Brownfield Grants to improve blighted properties.
 - I. Consider policies and recommendations by the Business Development Committee that would stimulate economic development activity in Hickory.
2. Improve Transportation
 - A. Through the transportation Bond Project, scope and phase roadway improvements in strategic corridors and gateways.
 - B. Pursue grant opportunities to leverage bond funds.
 - C. Update the City's resurfacing analysis and street segment rating.
 - D. Design and install new wayfinding signs for city residents and visitors.
 - E. Partner with NCDOT on designing Sandy Ridge Road Roundabout projects to improve traffic flows.
 - F. Work with NCDOT and the MPO to develop other projects benefiting Hickory.

City Council Priorities and Action Plan



3. Leverage the City's Regional Utilities
 - A. Pursue new utility extensions and regional agreements to enhance the utility system's economy of scale.
 - B. Use the City's strength in water and sewer services as an economic development tool.
 - C. Market Hickory within and outside the region to increase economic development activity and increase water and sewer sales.

Strategic Priority: Quality of Life and Natural Environment

1. Provide a Safe Community for Residents and Visitors
 - A. Identify meaningful ways to engage and partner with our community and community leaders.
 - B. Implement recruitment and retention efforts in the Police Department to move toward full complement of sworn officers.
 - C. City departments will strive to provide exceptional service and communicate effectively through community involvement with our customers and workforce management.
 - D. Complete a comprehensive fire department strategic plan to meet the needs of our community and department.
 - E. Promote proactive public safety partnerships with citizens and neighborhood groups.
 - F. Continue to partner with other Catawba County jurisdictions and the community with the Catawba County Safe Initiative program to reduce violent behavior.
2. Support Downtown Development and Activities
 - A. Continue to support downtown festivals and activities with in-kind services.
 - B. Maintain public assets downtown to promote growth and create a unique downtown experience.
 - C. Consider highest and best use for vacant parcels in the downtown area and support redevelopment of underutilized buildings.
3. Support and Protect Neighborhoods
 - A. Pursue single-family home ownership opportunities in strategic locations to help stabilize distressed neighborhoods including partnerships with non-profit housing groups to such as the partnership with Habitat for Humanity.
 - B. Provide staff liaisons to recognized neighborhood associations.
 - C. Respond in a timely manner to neighborhood requests for City services including traffic calming, trash collection, policing, etc.
 - D. Respond in a timely manner to neighborhood requests concerning Code Enforcement issues.

City Council Priorities and Action Plan



4. Offer High Quality Recreation and Library Opportunities
 - A. Finalize construction and open Kiwanis Park Splashpad for public use.
 - B. Work with Friends of Hickory to complete downtown park.
 - C. Begin design of Riverwalk Bond Project as a recreational destination for citizens and visitors.
 - D. Continue partnership with Deidra Lackey family to complete design and begin construction of one-of-a-kind entertainment and cultural venue at Geitner Park.
 - E. Partner with Greater Hickory Tennis Association to expand parking and recreational opportunities at City Park.
 - F. Pursue design for phase one of Bruce Meisner Park with Outward Bound donation.
 - G. Conduct customer surveys for recreation programs and strive for positive feedback and ratings.
 - H. Implement the updated library strategic plan as possible within budget restraints.
 - I. Conduct customer surveys for library programs and strive for positive feedback and ratings.

5. Improve and Protect the Natural Environment
 - A. Continue single-stream recycling efforts in FY2016-2017, increasing overall recycling participation by 5% and total tonnage of recycled material by 5% to 10%.
 - B. Monitor the compliance of Concord/Kannapolis in regards to the interbasin transfer agreement.
 - C. In meeting the EPA NPDES Phase II federal storm water regulations, continue implementing stormwater best practices and complying with stormwater regulations.
 - D. Partner with other organizations (Reese Institute, Covekeepers, WaterWatch, Duke Energy, and Catawba River Study Committee) to promote policies and practices which protect the river, improve water quality and protect our water supply.
 - E. Continue to promote “Your Catawba Use it Wisely” conservation program.

6. Improve Air Quality
 - A. Monitor air quality attainment issues and support efforts to address those causes.
 - B. Promote awareness of ozone action days.

Strategic Priority: Operational Excellence

1. Provide Exceptional Customer Service and Communication
 - A. Each coworker’s performance evaluation will reflect a focus on customer service.
 - B. Utilize regular City Manager/Coworker meetings to enhance communication within the organization.

City Council Priorities and Action Plan



2. Invest in City Coworkers
 - A. Provide internal training opportunities for supervisors as well as front line staff.
 - B. Promote and fund higher education opportunities which will benefit the coworker and the City.
 - C. Recognize, formally and informally, coworkers' achievements.
 - D. Continue to support the coworker Wellness Program.

3. Constant Innovation in Delivery of Services
 - A. Maintain the City's excellent standing for all services included in the NC Performance Measurement Project.

Strategic Priority: Vision and Leadership

1. Support and Promote Higher Education Opportunities
 - A. Work collaboratively with Lenoir-Rhyne University and Catawba Valley Community College on initiatives and opportunities which would positively impact our community.

2. Lead Regional Initiatives
 - A. Participate on local and regional boards/committees to insure City interests are preserved (i.e. WPCOG, EDC, MPO, NC Works, Innovate Catawba)
 - B. Continue to lead the region in protecting and promoting the Catawba River Basin.
 - C. Be the lead agency on regional economic development issues to adequately represent the hub of the population and workforce in the Metro area.

3. Promote City Priorities in the 2016-2017 Legislative Agenda to Federal and State Governments
 - A. Continue to educate citizens on State legislative issues affecting the City.
 - B. Develop and promote state and national legislative priorities that are in the specific interest of the City of Hickory.

Strategic Priority: Communication and Marketing

1. Provide best practice quality communication on bond projects to our residents.

2. Continue to market the City of Hickory "Life. Well Crafted" Brand and partner with other entities to promote Hickory as a place to live, work and play.

3. Continue to offer and support interactive and innovative programs offered by the City, such as the Neighborhood College, and the Citizen's Police and Fire Academies.

City Council Priorities and Action Plan



4. Communicate Effectively with Customers about Delivery of Services
 - A. Respond in a timely manner and inform citizens of results of “Action Requests.”
 - B. Inform citizens about Hickory services, projects and awards.
 - C. Keep the city's website vibrant and informative.
 - D. Use print, radio, internet and social media to communicate with our citizens.
 - E. Communicate effectively with organized neighborhood groups, boards and commissions and other partners.

City Council Priorities and Action Plan



HICKORY CITY COUNCIL FY 2016-2017 FINANCIAL POLICIES

These Financial Policies are adopted to help guide the City in the management of its financial resources. Although the North Carolina Local Government Budget and Fiscal Control Act regulates North Carolina governmental units in financial matters, these policies adopted by the City Council are often more stringent, and reflect the specific desires of City Council. These Financial Policies are designed to allow the City to function as a fiscally sound governmental unit.

1. Revenue Policy

- A. The property tax rate shall be set each year based on the cost of providing general government services.
- B. The rate and fee structure established for the Water and Sewer Fund will be sufficient to finance needed operating, capital, and debt service costs for providing water and sewer services. Rates and fees in the Water and Sewer Fund will generally increase annually by the amount necessary to keep the Fund self-supporting.
- C. The City will continue to move the Solid Waste Fund towards becoming a self-supporting enterprise.
- D. Revenue projections will be made in a conservative manner.
- E. To the extent practical, any City service that benefits specific recipients shall be supported either fully or in part by user fees. Those fees will generally increase by the annual Consumer Price Index. Examples are certain recreation programs, and Fire Inspections activities.
- F. The City will project revenues for five years and will update those projections annually.
- G. When investing City funds, safety and liquidity will take precedence over yield.
- H. Except in cases of emergencies, under urgent conditions, or for one-time capital expenses, Fund Balance Appropriated shall not exceed an amount that management can reasonably expect to save during the year.

2. Operating Budget Policy

- A. The City will continue to develop benchmarks and productivity ratios integrated with work performance standards to assist in the evaluation of expenditures.
- B. Continue the City's participation in the North Carolina Performance Measurement Project.
- C. The City will prepare a five-year operating budget projection that will include projections of annual growth.
- D. Ensure that all water and sewer expansions represent sound investments for the City.
- E. During the course of the fiscal year, the City Manager may, at his discretion, take the necessary action to keep the City's Annual Budget balanced and solvent.

City Council Priorities and Action Plan



3. Capital Improvement Policy

- A. Annually, the City will update its Five-Year Capital Improvement Plan, which will list each capital project, the estimated cost and the anticipated year in which the project is to occur. This plan will be used as a guide in the development of the annual budget.
- B. When funding capital items, priority will be placed on the replacement of existing equipment, maintaining existing facilities, and making enhancements to existing facilities. Capital projects related to new facilities not currently in existence will receive the lowest priority, unless a designated funding source is available for the project.

4. Accounting Policy

- A. Annually, an independent certified public accounting firm will issue an official opinion on the City's annual financial statements to the City Council. Additionally, City Council will appoint an Audit Committee to meet with the auditors and discuss their findings.
- B. Financial systems will be maintained to monitor revenues and expenditures on a monthly, quarterly, and annual basis.
- C. Staff will give a Financial Report to City Council on a quarterly basis.

5. Debt Policy

- A. Capital projects financed through the issuance of bonds or through an installment purchase contract (N.C.G.S. 160-A 20) shall be financed for a period not to exceed the anticipated useful life of the project.
- B. The City will maintain its financial condition so as to continue a minimum bond rating of AA and will have the rating agencies periodically review its bond rating.

6. Reserve Policy

- A. The City will strive to maintain an Undesignated General Fund Balance equal to three months, or 25%, of the general operating budget. These funds will be used to avoid cash flow interruptions, generate investment income, eliminate the need for short-term borrowing, and for use in the case of unanticipated emergencies.
- B. In the Annual Budget, the City will reserve the equivalent of two pennies on the City's property tax rate in the General Capital Reserve Fund, for the purpose of funding capital expenditures on a pay-as-you-go basis.
- C. The City will establish a General Fund Contingency Reserve to provide for unanticipated expenditures of a nonrecurring nature to meet unexpected increases in service delivery costs. This reserve will be budgeted at an amount up to 1.5% of recurring General Fund revenues estimated for that fiscal year.

City Council Priorities and Action Plan



7. Financial Partnerships Policy

- A. When feasible, the City will seek financial partnerships with organizations in the community as a means of providing services in the most cost-effective way.
- B. When renovating, enhancing or constructing City-owned facilities, the City will seek financial partnerships, when feasible, with organizations or individuals who benefit from those facilities in order to limit the use of public funds and to maximize the benefit of those funds.

Budget Guide



2016-2017 Recommended Budget

Budget Guide



The information in the previous sections focused on how City government plans to allocate resources for the upcoming fiscal year. Subsequent sections of the document describe the detail behind those plans as the budget is examined at consolidated, functional, departmental, divisional, and in some cases, line item levels.

The *Budget Guide* begins the transition from a broad budgetary plan to a specific working budget for City operations. Here, the reader will find explanations for much of the data that follows. This section also provides an opportunity to pause and examine the many facets of budgeting for which this document is merely the end product. What has changed in the City budget since last year? How and when does the process of allocating over \$93 million occur? How is the City's budget organized, and what do all those terms mean?

Because this section is intended to provide mostly background information, the reader is invited to exercise judgment when reading it. The veteran budget reader may wish to skip the *Budget Format: The Basics* pages because they describe the basic structure of the City's budget. However, the novice reader will find these pages a good starting point for developing an understanding of information in the rest of the document.

What's New in the Budget?

Changes to the FY2016-2017 budget reflect the ongoing efforts by the City of Hickory to enhance the municipal environment through ongoing Bond Projects while maintaining a high level of basic service provision to the public. As with any new budget year, any changes are necessary to meet new community, financial, or legal obligations and mandates.

The most significant changes to the structure of the FY2016-2017 budget are:

- A resurgence of growth in property tax base and revenues
- Moderate growth in sales tax revenues
- Significantly less drawdown of Capital Reserve funds than FY 2015-16

There have been no other significant changes to the structure of the budget, or to the structure of the organization. However, each year the City of Hickory submits its budget document to the Government Finance Officers Association Distinguished Budget Awards Program for review. This year's budget contains minor revisions based on the comments of those professionals who reviewed last year's budget document.

Budget Calendar



- **November 6, 2015** Personnel expenditures projected by Human Resources
- **November 6, 2015** Worker's Compensation, Property and Liability Insurance by Risk Management
- **December 7, 2015** New position requests and reclassification requests due to Human Resources (per Personnel Ordinance)
- **December 9, 2015** Master Plan and Neighborhood Plan Costs are projected by the Assistant City Manager over Development
- **December 9, 2015** Debt projected by Finance (existing debt only)
- **December 9, 2015** City Council Financial Policy expenditures (transfers and contingency) projected by Budget Office
- **December 9, 2015** External appropriation request letters sent out; also notices *re:* Board and Commission Workplan deadlines
- **December 9, 2015** Publish newspaper ad re: notification of call for External appropriation requests (due date January 25, 2016)
- **December 17, 2015** Budget Kick-off Meeting
 - Distribute Initial Allocation Sheets
 - Distribute Budget Manual
- **January 6, 2016** Projected revenues entered into H.T.E. by Budget Office
- **January 15, 2016** Departments to have **entered FY16-17 operational budget** requests into H.T.E. **Requests to balance to your department's initial budget allocation.**
- **January 15, 2016** Departments to have **entered FY16-17 capital budget** requests into H.T.E.
- **January 4-29, 2016** Departments may request to meet with the City Manager to make additional budget requests or to negotiate budgets
- **January 25, 2016** External Appropriation requests due
- **January 25, 2016** Fleet Management to review and make recommendations on new capital equipment requests
- **January 25, 2016** City Engineer to review and make recommendations on capital construction requests
- **January 25, 2016** Information Technology to review and make recommendations on technology requests

Budget Calendar



- **February 2, 2016** Fee Schedule sent to departments for FY15-16 changes
- **February 9, 2016** Board & Commission workplans due
- **February 9, 2016** 5-year CIP to be entered into H.T.E. by departments
- **February 16, 2016** City Council Meeting:
 - External appropriation requests presented
- **February 19, 2016** Departments to return FY16-17 Fee Schedule changes to Budget Office
- **March 1, 2016** City Council Meeting:
 - Board & Commission workplans presented
- **March 1, 2016** City Manager's Recommended Budget balanced
- **March 4, 2016** Performance Measurement page due to Budget Office from departments
- **May 17, 2016** City Council Meeting:
 - Call for public hearing on Recommended Budget
- **May 18, 2016** Publish notice of public hearing and make a copy available to news media in the County
- **June 7, 2016** City Council Meeting:
 - Public Hearing on Recommended Budget
 - FY16-17 Budget approved on 1st reading
- **June 21, 2016** City Council Meeting:
 - FY16-17 Budget adopted on 2nd reading
- **June 22, 2016** Notification of tax rate sent to Tax Administrators in Burke, Caldwell and Catawba Counties
- **June 24, 2016** Notify organizations who requested appropriation of City funds of funding status
- **July 1, 2016** Fiscal Year 2016-2017 begins

Budget Planning



Phase I (Initial Budget Planning Stage)

Budget planning for the FY2016-2017 Annual Budget began in August 2015. Recommendations were to continue with the budget development cycle and budget development calendar.

Phase II

In October of 2015, projections of personnel expenditures and projections of risk management insurance expenditures were made for the upcoming fiscal year. This information is used to determine what new revenues would need to be produced to maintain current staffing levels and to maintain current risk management insurance policies. These projections are done early due to the significant dollar value involved with these items and the vital role they play in the overall budget development process.

Phase III

In October - November of 2015, Budget staff held individual budget meetings with divisions/departments for preliminary discussions on significant budgetary needs for FY2016-2017 and to review the status of performance measures.

Phase IV

In December of 2015, there was a “Budget Kick-off Meeting” held with all departments. At this meeting, departments were given the FY2016-2017 budget manuals, FY2016-2017 budget calendar, FY2016-2017 personnel projections, FY2016-2017 risk insurance projections, instructions for performance measurement reporting, and initial operational target budgets for each department. In addition, debt projections were made by the Finance Department for FY2016-2017. All new personnel requests were due to the Human Resources Department by December 1, 2015.

Phase V (Final Budget Planning Stage)

Annually, the Hickory City Council adopts their Priorities and Action Plan, which are derived from the Council-Staff Work Sessions. This document is used throughout the year as a guiding tool to ensure that the philosophy defined by the City Council is advocated and carried out by City departments as they deliver services to the public. Also, the Priorities and Action Plan guides City officials in budget development and planning for the upcoming and future budget years. In short, this policy document provides the structure by which the City of Hickory functions during the fiscal year.

Budget Planning



Budget planning for the FY2016-2017 budget was completed at this point and the development of the FY2016-2017 recommended annual budget began.

How the Budget Process Works

Basis of Accounting and North Carolina Local Government and Fiscal Control Act

The City of Hickory uses the modified accrual method as the basis for budgeting and for accounting for all funds. This approach to accounting recognizes revenues when they become measurable and expenditures at the time the liability is incurred. All revenues and expenditures must be included in the annual budget ordinance or the appropriate capital and/or grant project ordinances. Any operational appropriations that are not expended or encumbered shall lapse. The North Carolina Local Government Budget and Fiscal Control Act (LGBFCA) controls how cities budget and spend money. The major effects of the LGBFCA on the budgetary process are as follows:

Budget Preparation Calendar

The LGBFCA establishes the dates by which each stage in the annual budget process is to be completed (G.S. 159-10 through 13). These dates are as follows:

Departmental requests must be submitted to the budget officer by April 30.

Revenue estimates must be submitted to the budget officer by April 30.

The recommended annual budget must be submitted to the Governing Board by June 1.

The Governing Board must adopt the annual budget ordinance by June 30.

Budget Forms and Procedures

The Budget Officer must prescribe the forms and procedures for the departments to use in preparing their requests; in the words of G.S. 159-10, requests “shall be made in such form and detail, with such supporting information and justifications, as the Budget Officer may prescribe.”

G.S. 159-10 also requires that a budget request show actual expenditures for the prior year, estimated ones in the current year, and requested ones for the coming budget year.

Departmental Requests

G.S. 159-10 requires that the budget request for a department include revenues or fees that it will collect in the budget year.

Recommended Budget

G.S. 159-11 requires that the Budget Officer’s recommended budget be balanced unless the Governing Board insists that an unbalanced budget be submitted. It is also required that the budget be submitted to the Governing Board with a budget message. G.S. 159-11(b) states that the message should include:

- A concise explanation of the governmental goals fixed by the budget for the budget year.
- Important features of the activities anticipated in the budget.
- The reasons for stated changes from the previous year in program goals, programs, and appropriation levels.
- Any major changes in fiscal policy.

Budget Planning



Board Review

Once the recommended budget is presented to the Governing Board, several general legal provisions apply to Board review and adoption of the budget ordinance.

- At least ten days must pass between the submission of the recommended budget and adoption of the budget ordinance.
- On the same day the budget is submitted to the Governing Board, the Budget Officer must file a copy of it in the City Clerk's Office where it is made available to the public and press.
- The City Clerk must publish a notice that the budget has been delivered to the Governing Board and is available for public inspection. This advertisement must also note the time and place of the required public hearing.
- During the time between submission and adoption, the Governing Board may conduct its review at both regular and special meetings. At least one of these dates must be a public hearing at which any person who wishes to comment may.
- The Open Meeting Law (G.S. 143-318.9 through 318.18) applies to the budget review and adoption process.

Adoption of the Budget Ordinance

The budget ordinance must contain the appropriations, the estimated revenues, and the property tax levy as well as the property tax rate.

Budget Adoption and Amendment

The operations conducted by the City are guided by the annual budget ordinance adopted in accordance with the provisions of the North Carolina Local Government Budget and Fiscal Control Act. The Budget Ordinance must be balanced and adopted prior to the beginning of the Fiscal Year. Adoption of the budget by City Council establishes the legal authority to incur expenditures in the ensuing fiscal year.

After the adoption of the Budget Ordinance, the City Manager (Budget Officer) is authorized to transfer appropriations between line-item expenditures within a department without making an official report to the City Council. He may also transfer amounts not to exceed \$50,000 between functional areas, including contingency appropriations, within the same fund. These transfers, however, require an official report at the next regular meeting of City Council. All other budget amendments must be approved by the City Council through legislative action. All amendments affecting the original budget ordinance not within the scope of the authority granted to the City Manager require two readings for City Council approval.

Budget Format: The Basics

Comprehending the Annual City Budget requires the reader to understand the differences between two perspectives of the same budget: the *functional* perspective, by which the City is managed, and the *accounting* perspective, by which City finances are accounted for. When City Council adopts or amends a budget, it is allocating resources into functional areas (as listed in the *Budget Ordinance*). By managing a budget organized around these major functions, City Council can better direct how City resources are applied.

City Council manages the budget at the broadest level. Council policy, statutes, and financial standards mandate the City's accounting system parallel the functions, but at a much more detailed level. The accounting structure of the City is organized on the basis of account groupings called *funds*, each of which is considered a separate accounting entity. Government monies are allocated to and accounted for in individual funds based upon the purposes for which they are earmarked, and the means by which spending activities are managed. The budgeted monies (i.e., revenues) must always equal the proposed expenditures within each fund. This segregation of financial activity ensures that certain funds, which are restricted in purpose, are explicitly spent on the appropriate government function.

A fund is one of two types: an annual fund or a project fund. Council appropriates operational funds on an annual basis and operational funding lapses at the close of the year. Project funds continue for the life of each specific capital or grant project with appropriations continuing until the project is finished. The City of Hickory's Annual Budget Ordinance contains all operational appropriations and consists of nine funds: the General Fund, Water and Sewer Fund, Sludge Fund, Transportation Fund, Stormwater Fund, Fleet Maintenance Fund, Insurance Fund, Solid Waste Fund, and Capital Reserve Fund. The City adopts all project budgets as Capital or Grant Project Ordinances, which are described in the *Capital Improvements/Grant Projects* section of this document.

An operational fund's revenue sources are a key distinction for two types of operating funds – *General Fund* and *Enterprise Funds*. All city budgets have at least one fund, the *General Fund*, which is supported by a variety of revenue sources, including the most substantial, the ad valorem property tax levy. The *General Fund* contains those departments and divisions, which do not produce enough revenue to support their operations. The best examples of operations housed in the *General Fund* include Police, Fire, Library, Recreation, Planning, and Administration.

Like most cities, Hickory has another type of fund called *Enterprise Funds*, which exist on the market viability of the services provided in that fund. The Water and Sewer Fund, the Solid Waste Fund and the Stormwater Fund are *Enterprise Funds* that rely almost solely on user fees generated from the services they provide. The Sludge Compost Fund is an enterprise fund financed through intergovernmental agreements of participation by Catawba County and the cities of Conover and Hickory. The Transportation Fund exists with funding from user fees, intergovernmental agreements, and grant funding.

Although funding sources can vary, an *Enterprise Fund* is expected to generate enough revenue to equal projected expenditures.

Budget Format: The Basics



Finally, Hickory also utilizes *Internal Service Funds*. These funds account for activities that serve other departments or parts of same government, rather than the public. Hickory maintains two *Internal Service Funds* including the Fleet Maintenance Fund and the Insurance Fund. In addition Hickory has one *Special Revenue Fund* which is the Capital Reserve Fund. Even though there is no statutory obligation to include *Internal Service Funds* or the *Special Revenue Fund*, in the Annual Budget, Hickory does include them in order to more fully reveal the City's finances. We have established that budgets, while managed by functions, are also managed as complex accounting groupings called funds, which are either operational or project oriented in nature. Operational funds can be enterprise funds depending on the fund's revenue characteristics.

Knowing these key principles is important, but consider this: City employees do not work for funds, they work for departments and divisions. The day-to-day operations of City government are conducted through 45 departments and divisions.

Here is the most important question for budget understanding: How do functions, funds, and departments (divisions) interrelate? The simple answer is that departments are subsections of both functions and funds. Each department is managed by its functional duties and its financial distinctions. For example, the Fire Department is part of the *Public Safety* function, and is included in the *General Fund* because it is not a self-supporting entity (enterprise fund). Each department belongs to one function and one fund. A fund can include any number of departments, including departments of different functions. A function can include departments from many funds. Managing the aggregate of all departments in a fund allows staff to measure the financial health of specific City endeavors, while managing the aggregate of all departments in functions allows City Council to consolidate the myriad of City services into clearer segments. When Council appropriates money for the Fire Department and the Recreation Department, it is addressing needs in two functional areas, *Public Safety* and *Culture and Recreation*, but it is allocating the resources of one fund, the General Fund.

About the Document Presentation

All combinations of departments and divisions, funds, and functions appear in this budget document. The presentation takes the reader from discussions of the broadest overview in the budget document (*Consolidated Budget Summary*) to discussions of the most specific departmental review (*General Fund, Enterprise Funds*). The document places a distinct emphasis on the City's departments and divisions because these pages represent the plans of the men and women who are charged with the duty of providing services to citizens. Following the City budget from this basic level back up through funds, functions, and consolidated totals can help the reader associate services to the respective budget data.

The departmental presentations are summaries of all expenditures and revenues associated with each department's activities. One of the most daunting tasks of preparing a budget document is deciding how to present the hundreds of individual budget codes (line-items) in a format that promotes the decision-making process. Every account code is relevant to the process. Unfortunately, it is not possible to effectively present literally hundreds of account codes.

Instead, this document presents budget data in a summary form that shows groups of like data by category (e.g., Personnel, Operations, Capital). Presenting the City of Hickory's budget in this style facilitates comparisons between groups of data, making the overall trends more discernible

Budget Format: The Basics



to the reader. Acknowledging that the reader does not have access to every account code, the Budget Highlights attempt to explain key departmental changes by relating the “numbers behind the numbers” to budget summaries. A second document that presents the complete listing of all City of Hickory budget codes only is also available through the City of Hickory’s Budget Office (828-327-7412) if further detail is needed.

Budget Format: The Specifics



GENERAL FUND

The **General Fund** is the general operating fund of the City and is used to account for all revenues and expenditures except those required to be accounted for in another fund. This fund is established at the inception of a government and exists throughout the government's life.

General Fund Revenues

- **Ad Valorem Taxes** - Collections of current and prior year property tax levies, refunds, late listing penalties, and interest on delinquent taxes. (52.9%)
- **Other Taxes** - Three sales tax allocations (Article 39 one cent, Article 40 one-half cent and Article 42 one-half cent), utility franchise tax, telecommunications tax, \$5 vehicle fee, and a local option hotel/motel occupancy tax levied for tourism development. (30.21%)
- **Unrestricted Intergovernmental** - Beer and wine tax, payments in lieu of taxes, and traffic control revenue received from NCDOT. (1.24%)
- **Restricted Intergovernmental** - Federal, state, and local assistance restricted for specific uses including the Powell Bill street allocation, North Carolina Department of Transportation (NCDOT) street maintenance, various public safety and culture/recreation grants, Catawba County fire district tax, and Catawba County's participation in the provision of Hickory library services. (4.28%)
- **Licenses and Permits** - Revenues generated for privilege beer and wine licenses, and taxi permits. (0.02%)
- **Sales and Services** - User fees charged for the provision of various city services including, but not limited to: parking rentals, cemetery lot sales, police and fire charges and fines, cable franchise fees, and revenues generated for recreation and library services. (3.65%)
- **Investment Earnings** - Interest earned on the investment of the fund's idle cash balance. (0.26%)
- **Miscellaneous** – Includes unanticipated revenues such as donations, discounts earned, the sale of capital assets, and insurance reimbursements. (0.66%)
- **Other Financing Sources** - Proceeds from the issuance of bonds, installment purchase contracts, or lease purchase agreements, transfers from capital project funds, or fund balance appropriated. (6.77%)

General Fund Expenditures

- **General Government** - Expenditures for the City Council and Administration consisting of the City Manager's Office, Budget Office, Risk Management, Human Resources, Finance, City Clerk, Communications, Information Technology, Legal, Public Buildings, District Court Building, Union Square, Engineering, Central Services, and Landscape Services, as well as various special appropriations. (13.07%)
- **Public Safety** - Expenditures for the Police Department, the Fire Department, the Hickory Rural District, and various special appropriations. (48.49%)

Budget Format: The Specifics



- **Transportation** - Expenditures for the Traffic and Street Divisions of Public Services. (13.05%)
- **Economic and Community Development** - Expenditures for the Planning and Development Department; Economic Development Incentives, and several special appropriations. (6.21%)
- **Culture and Recreation** - Expenditures for the Recreation Department, Parks Maintenance, L.P. Frans Stadium, Hickory Public Library, and various special appropriations. (12.37%)
- **Other Financing Uses** – Money transferred to other funds to subsidize and/or finance activity required to be accounted for in another fund. (2.50%)
- **Debt Service** - Expenditures for the required repayment of debt principal and interest incurred for the construction of large capital projects or major capital purchases. (2.95%)
- **Contingency** - Budgetary reserve set aside for emergencies or unforeseen expenditures. (1.35%)

ENTERPRISE FUNDS

The **Water and Sewer, Stormwater, Sludge Compost, Transportation, and Solid Waste** Enterprise Funds combine to account for proprietary fund activity. These funds are financed and operated in a manner similar to private business enterprises, where the intent of the Governing Body is to recover costs of providing the service through user charges. These funds provide water and sewer service to over 30,000 customers inside and outside the city limits, regulate stormwater runoff, produce a high quality compost material, provide air transportation services, and provide solid waste services, respectively.

Water and Sewer Fund Revenues

- **Restricted Intergovernmental** - City of Conover repayment portion of debt service for Hickory's Water Treatment Plant, Catawba County's portion of the Hickory Catawba Wastewater Treatment Plant, City of Claremont and Town of Hildebran operations maintenance contracts, and the Town of Maiden's buy in to the City's Water Plant. (4.73%)
- **Sales and Services** - Initial tap fees and user fees charged for the provision of water and sewer service. (86.97%)
- **Investment Earnings** - Interest earned on the investment of the fund's idle cash balance. (0.20%)
- **Miscellaneous** - Plant capacity fees charged with water or sewer taps and any unanticipated revenues. (1.36%)
- **Other Financing Sources** - Proceeds from the issuance of bonds, installment purchase contracts, or lease purchase agreements, transfers from capital project funds, or fund balance appropriated. (6.73%)

Budget Format: The Specifics



Water and Sewer Fund Expenditures

- **Environmental Protection** - Expenditures for Administration, Collection Division, the Henry Fork Wastewater Treatment Plant, the Northeast Wastewater Treatment Plant, the Hickory-Catawba Wastewater Treatment Plant, the Water Treatment Plant, the Lab Division, and the Distribution Division of the Public Services Department, and special appropriations. (79.67%)
- **Other Financing Uses** – Money transferred to other funds to subsidize and/or finance activity required to be accounted for in another fund. (4.64%)
- **Debt Service** - Expenditures for the required repayment of debt principal and interest incurred for the construction of large capital projects or major capital purchases. (14.50%)
- **Contingency** - Budgetary reserve set aside for emergencies or unforeseen expenditures. (1.20%)

Stormwater Fund Revenues

- **Other Financing Sources** - Transfers from other funds, or fund balance appropriated. (100%)

Stormwater Fund Expenditures

- **Environmental Protection** - Expenditures for Administration/Engineering, Stormwater - Transportation Division, Stormwater - Solid Waste Division, and the Stormwater - Landscape Division. (100%)

Sludge Composting Fund Revenues

- **Restricted Intergovernmental** - Intergovernmental funding for operational expenses from the City of Hickory for 66%, Catawba County for 18.5%, and the City of Conover for 15.5%. (100%)

Sludge Composting Fund Expenditures

- **Environmental Protection** - Expenditures for contracted services with a private contractor to operate the Sludge Composting Facility. (100%)

Transportation Fund Revenues

- **Sales and Services** - User fees charged for the provision of various Airport services such as Airport property rentals. (99.73%)
- **Investment Earnings** - Interest earned on the investment of the fund's idle cash balance. (0.04%)
- **Restricted Intergovernmental Revenues** – Contributions from Catawba and Burke Counties for tower operations. (0.23%)

Budget Format: The Specifics



Transportation Fund Expenditures

- **Transportation** - Expenditures for Airport operations. (100%)

Solid Waste Fund Revenues

- **Other Taxes** - Solid Waste Excise Tax revenue received from the State of North Carolina. (0.54%)
- **Sales and Services** - User fees charged for the provision of various solid waste collection services including: curbside, recycling center, cardboard, white goods, yard waste, tipping fees for the county landfill and commercial bulk services. (91.29%)
- **Investment Earnings** - Interest earned on the investment of the fund's idle cash balance. (0.11%)
- **Miscellaneous** - Unanticipated revenues. (0.06%)
- **Other Financing Sources** - Proceeds from the issuance of lease purchase agreements and a transfer from the General Fund for operational support. (8.00%)

Solid Waste Fund Expenditures

- **Environmental Protection** - Expenditures for Recycling Services, Residential Sanitation, Commercial Bulk Services, contracted services with Republic, and Catawba County landfill tipping fees. (100%)

INTERNAL SERVICE FUNDS

The **Fleet Maintenance Fund**, **Insurance Fund**, and **Capital Reserve Fund** are internal service funds that have been set up in order to more accurately account for expenditures for vehicle and equipment maintenance, insurance costs and capital reserves. This enables the City to better grasp the true cost of providing these internal services on the departmental and divisional levels.

Fleet Maintenance Fund Revenues

- **Sales and Services** – Charges for vehicle and equipment repairs, which are charged to individual departments. (100%)

Fleet Maintenance Fund Expenditures

- **General Government** – Expenditures for vehicle and equipment maintenance and repair. (100%)

Budget Format: The Specifics



Insurance Fund Revenues

- **Sales and Services** – Charges for health, dental, workers compensation, property, casualty, and liability insurance. These revenues are derived from charges to individual departments. (98.90%)
- **Investment Earnings** - Interest earned on the investment of the fund's idle cash balance. (0.57%)
- **Other Financing Sources** – Support from Fund Balance allocation. (.54%)

Insurance Fund Expenditures

- **General Government** – Expenditures for health, dental, worker's compensation, property, casualty and Liability of insurance. (100%)

Capital Reserve Fund Revenues

- **Other Financing Sources** - Transfer from the General Fund and Water & Sewer Fund for future capital projects or purchases. (100%)

Capital Reserve Fund Expenditures

- **Other Financing Uses** – Money transferred to other funds or reserved for capital projects or capital purchases. (100%)

Consolidated Budget Summary



2016-2017 Recommended Budget

Consolidated Budget Summary



The *Consolidated Budget Summary* section begins the budget presentation by examining the budget at the broadest level. Here, the assumptions and trends that helped determine the basic framework described in the *Budget Guide* section are presented. Later sections will provide further detail about the individual funds, departments, and divisions.

The discussion here begins with revenues, which are followed by financial totals, functional trends, fund balance projections, and staffing totals. Revenues must fully support expenditures in a balanced budget, so no budget can begin without an understanding of the resources available. Certain methods, techniques and approaches have been used to aid the City in estimating future revenues. By analyzing current trends and the underlying forces, the City can make realistic projections of revenues.

Revenue Assumptions

The most important aspect to understand regarding how revenues are budgeted in the City of Hickory's Annual Budget is that for most of the City's major sources of revenue, all that will be budgeted for FY2016-2017 is what we project to receive by the end of FY2015-2016. This conservative approach to budgeting helps ensure that budget projections are met, helps to guard against unanticipated economic downturns, and in most years, allows us to place funds in fund balance at year end. City Management believes that budgeting unrealized increases in revenues for an upcoming fiscal year, especially with major sources of revenue, is risky at best and could be counter-productive in the end.

The following are other assumptions concerning some of our most significant sources of revenue that are forecast in the City of Hickory's FY2016-2017 Annual Budget.

REVENUES

FORECAST RATIONALE

AD VALOREM TAXES

Ad Valorem Taxes

The City contracts with Catawba County to assess and collect property taxes. By the beginning of FY2016-2017 Hickory's assessed property value is projected to have increased by 3.41% (or \$150,741,139) to \$4,565,919,360.

The General Fund's property tax rate will be \$.5665 per one hundred dollars (\$100) valuation of property with an estimated collection rate of 98.2%. The total Ad Valorem Tax category of revenues is budgeted at \$25,390,000 for FY2016-2017. The Ad valorem category of revenue includes: current year's collections, prior year's collections, penalties and interest, and refunds.

Consolidated Budget Summary



OTHER TAXES

Sales Tax

The State collects and distributes the proceeds from the locally levied tax on retail sales. The Article 39 original one-cent local option sales tax is distributed on a point-of-sale basis. Revenue projections for FY2016-2017 are based on anticipated local retail sales and other economic conditions, and reflect a 6% increase over the FY2015-2016 budgeted amount. Article 40, a one-half of one percent rate and Article 42, also a one-half of one percent rate, are revenue placed in a statewide pool and then distributed state-wide on a per capita basis. FY2016-2017 projections for these sources of revenue also reflect a 2.1% increase over the FY2015-2016 budgeted amount.

Utility Franchise Tax

The City shares in the sales tax levied by the State on piped natural gas and electricity sales. This tax is collected by the State and then distributed quarterly through a predetermined formula to North Carolina municipalities. This revenue is highly sensitive to the weather. Cool summers and mild winters can lead to a year with little or no growth in receipts from this tax. Any annexations of industrial or other facilities that are heavy users of utility services could also create growth in this source of revenue. For FY2016-2017 we project a 4.2% increase from what was budgeted in FY2015-2016.

Telecommunications Tax

This tax was previously a part of the Utility Franchise Tax, but was broken out as a separate tax received from the State of North Carolina in FY2003-2004. The Telecommunications Tax is levied by the State on all telephone service. Each city's share of this is tax based on the actual receipts from telephone and cable television service within their municipal boundaries during the fiscal year. For FY2016-2017 we anticipate no growth in this revenue.

UNRESTRICTED INTERGOVERNMENTAL REVENUES

Beer and Wine Tax

Cities share in the sales tax revenue from the sale of both beer and wine, based on population. Revenue for FY2016-2017 is projected to remain flat compared to the FY2015-2016 budgeted amount.

Traffic Control Revenue

The City of Hickory, through a cooperative agreement, maintains the NCDOT's traffic control systems located within the city limits of Hickory. The City receives annual reimbursements for this service from the NCDOT through the form of Traffic Control Revenue. This revenue may vary from year to year depending upon annual maintenance schedules and scheduled projects, and is projected based on what the City's Traffic Division anticipates.

Consolidated Budget Summary



RESTRICTED INTERGOVERNMENTAL REVENUES

Powell Bill Gasoline sales continue to increase and the Highway Trust Fund continues to grow modestly. Revenue distribution projections to local governments are based on a formula that combines both “per capita” values and “per mile” values. Hickory has had little growth in its population or the miles of streets it maintains. This revenue for FY2016-2017 is projected to be flat compared to the FY2015-2016 budgeted amount.

Sludge Compost These revenues are based on the percentage of participation for the fixed contract to operate the Sludge Compost Facility by Veolia Water. The percentage of participation is: City of Hickory - 66%, City of Conover – 15.5%, and Catawba County – 18.5%. Variable costs of operations are charged by percentage of use by each local government. These revenues have been estimated to meet projected operational requirements for FY2016-2017, which are 0.1% more than what was budgeted in FY2015-2016.

LICENSES AND PERMITS Privilege Licenses were repealed in FY2015-2016. No revenue projected.

SALES AND SERVICES *(Most fees are increased by 0.7%, which is the 2015 Consumer Price Index, unless otherwise indicated)*

Parking Rentals The City owns and operates eleven (11) parking lots in the downtown area. Some are unrestricted lots and some are leased lots. Revenue received from this enterprise, as well as parking tickets issued, remains relatively constant from year to year and is transferred to the City’s Capital Reserve Parking Fund for future parking projects, after the cost of collection/enforcement is deducted.

Recycling Revenue Revenue received for recycling services. These charges are based, in part, on costs for collection, preparation and transportation of recycling material to market.

Water and Sewer Charges Water and sewer rates will see a 1.8% increase with the FY2016-2017 Annual Budget over the FY2015-2016 rates. This increase will help to keep the Water and Sewer Fund 100% self-supporting.

Water and Sewer Taps The City charges fees to customers for connecting to the City’s water or sewer system. FY2016-2017 tap fee revenue is projected to remain flat compared to the FY2015-2016 budgeted amount.

Consolidated Budget Summary



INVESTMENT EARNINGS

Investment Earnings

Investment earnings are conservatively projected on the basis of average available cash balances at an anticipated average rate of return of 1%.

FUND BALANCE/ RETAINED EARNINGS

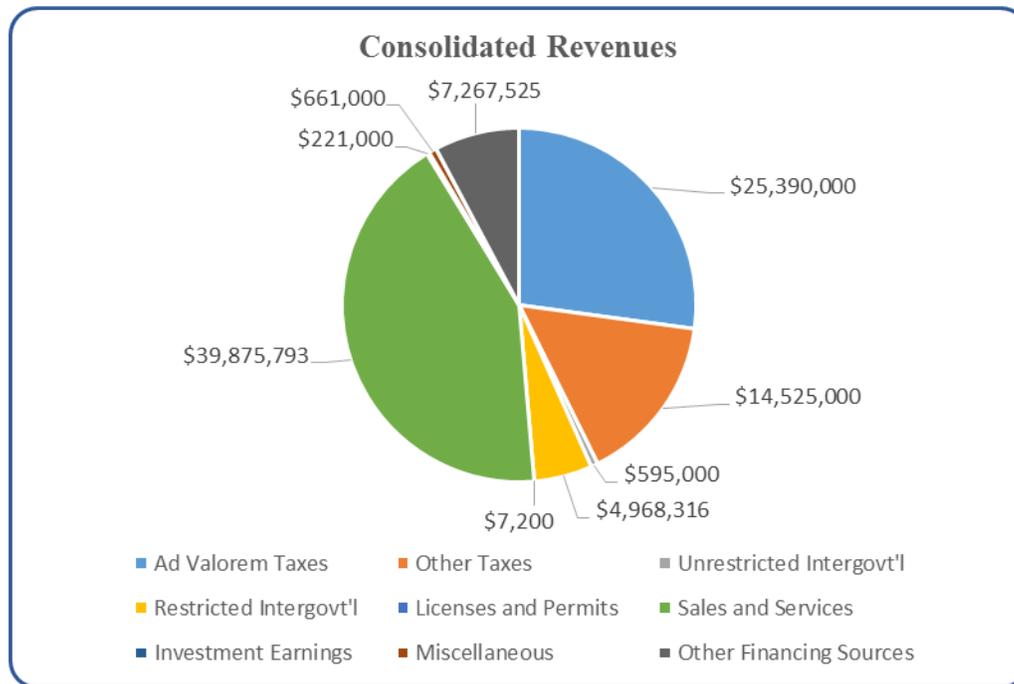
Fund Balance Appropriated

Fund Balance/Retained Earnings appropriated generally does not exceed an amount that management can reasonably expect to save during the year.

Consolidated Budget Summary



This consolidated revenue graph and table contain all funds, including the internal service funds (Fleet Maintenance and Insurance) and the Capital Reserve Fund. Insurance and fleet costs are budgeted in each of the departments/divisions in order to better capture the actual cost to provide services. The Fleet Maintenance Fund and Insurance Fund then budget revenues from each of these departments and the expenditures associated with the actual costs to provide these services. This inflates the “Sales and Services” revenue source, but omitting these funds from this section would not give the reader a comprehensive view of the City’s finances.



Consolidated Revenues	2014-2015 Budgeted	2015-2016 Budgeted	2016-2017 Budgeted	Percent Change
Ad Valorem Taxes	23,541,111	24,986,613	25,390,000	1.6%
Other Taxes	13,133,425	13,873,165	14,525,000	4.7%
Unrestricted Intergovernmental	523,000	525,000	595,000	13.3%
Restricted Intergovernmental	5,165,775	5,094,118	4,968,316	-2.5%
Licenses and Permits	1,147,255	7,255	7,200	-0.8%
Sales and Services	37,903,195	38,967,688	39,875,793	2.3%
Investment Earnings	352,000	221,001	221,000	0.0%
Miscellaneous	592,567	590,000	661,000	12.0%
Other Financing Sources	13,491,993	17,348,597	7,267,525	-58.1%
Revenue Total	95,850,321	101,613,437	93,510,834	-8.0%
Per Capita	2,394	2,526	2,325	

Consolidated Budget Summary

This consolidated expenditure graph and table are broken down by functional area and include expenses in all funds, including the internal service funds (Fleet Maintenance and Insurance) and the Capital Reserve Fund. As was explained on the previous page, insurance and fleet costs are budgeted in each of the departments/divisions in order to better capture the actual cost to provide services. The Fleet Maintenance Fund and Insurance Fund then budget revenues from each of these departments and the expenditures associated with the actual costs to provide these services. This inflates the “General Government” expenditure, but again, omitting these funds from this section would not give the reader a comprehensive view of the City’s finances.



Consolidated Expenditures	2014-2015 Budgeted	2015-2016 Budgeted	2016-2017 Budgeted	Percent Change
General Government	16,530,835	16,363,231	15,932,924	-2.6%
Public Safety	22,139,837	22,185,081	23,271,046	4.9%
Transportation	8,778,491	8,436,561	8,853,064	4.9%
Environmental Protection	28,986,552	30,860,569	26,531,996	-14.0%
Economic and Community Develop.	2,354,332	2,763,670	2,981,290	7.9%
Culture and Recreation	5,878,288	6,034,469	5,937,195	-1.6%
Other Financing Uses	4,859,657	8,940,142	4,018,008	-55.1%
Debt Service	5,532,329	5,229,714	5,035,311	-3.7%
Contingency	790,000	800,000	950,000	18.8%
Expenditure Total	95,850,321	101,613,437	93,510,834	-8.0%

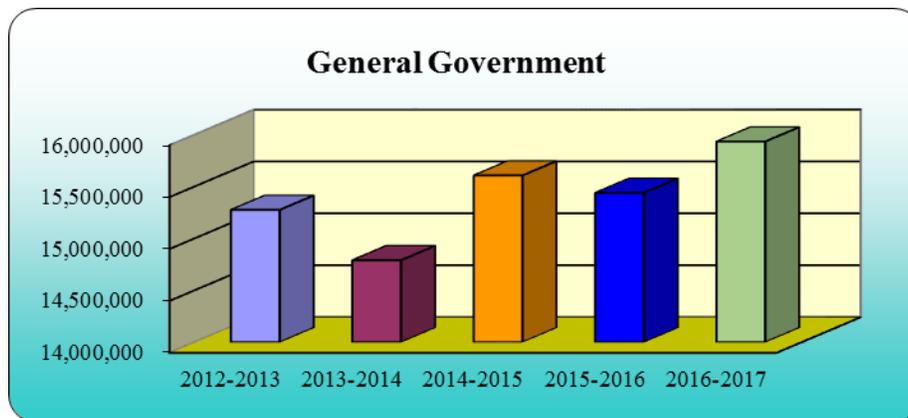
Consolidated Budget Summary



Functional Expenditure Trend Summary

While the City of Hickory’s budget consists of approximately 45 individual departments and divisions, each conducts the business of City government as a part of a functional area. For example, the Police Department is part of the functional area known as Public Safety, as is the Fire Department. Both share the common theme of protecting citizens. Grouping activities by these functions (themes), allows the decision-making process to be managed at broader, more comprehensive levels.

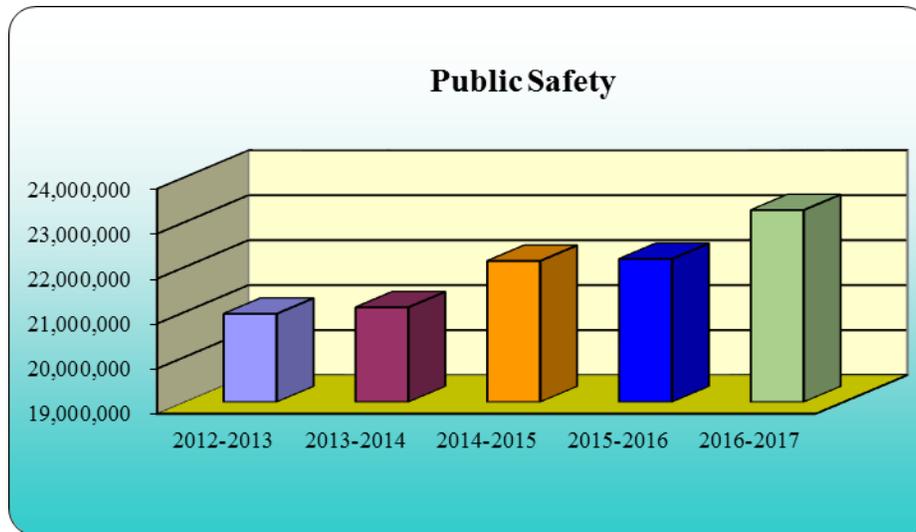
The following is a presentation of the trends for the major functions in the City’s budget. By examining the long-term and short-term progressions of each, the overall dynamics of Hickory’s budget can be better understood. A five-year graph shows the function as it progresses from the FY2012-2013 budget; a table compares the budget expenditure categories for the current budget proposal. The presentation references key departments, which are discussed in depth in either the General Fund, Enterprise Funds, or Other Funds sections.



General Government	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Total Budgeted Amount	15,274,294	14,789,722	15,605,835	15,438,231	15,932,924
Dollar Change	1,145,409	(484,572)	816,113	(167,604)	494,693
Percent Change	8.1%	-3.2%	5.5%	-1.1%	3.2%

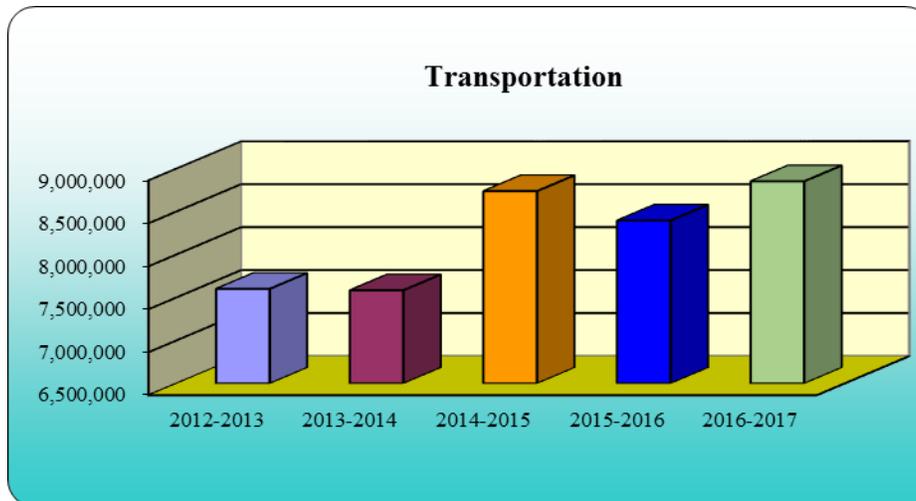
Departments/Divisions: Governing Body, City Manager’s Office, Budget Office, Finance, Legal, Risk Management, City Clerk, Information Technology, Human Resources, Communications Office, Building Services, Engineering, Public Buildings/City Hall, District Court, Fleet Maintenance and Landscape Services.

Consolidated Budget Summary



Public Safety	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Total Budgeted Amount	20,964,052	21,108,838	22,139,837	22,185,081	23,271,046
Dollar Change	1,219,132	144,786	1,030,999	45,244	1,085,965
Percent Change	6.2%	0.7%	4.9%	0.2%	4.9%

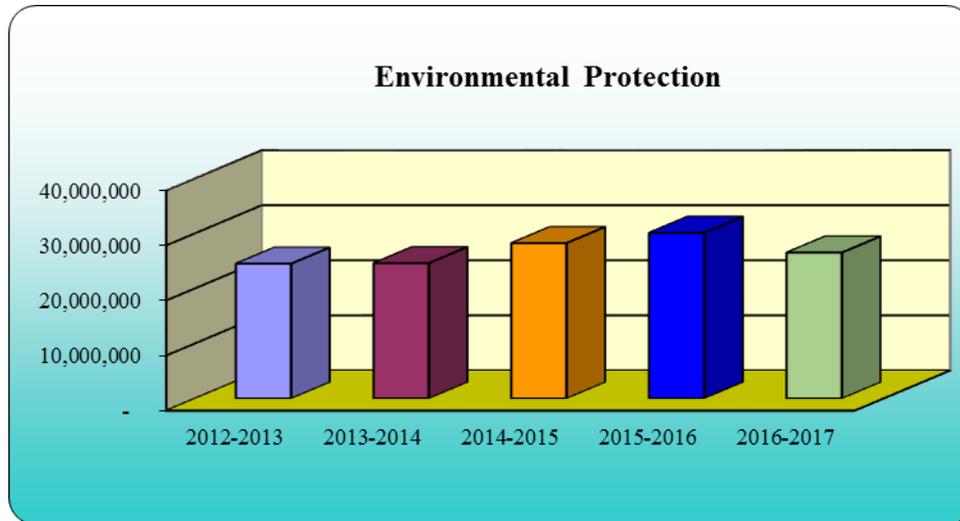
Departments/Divisions: Police, Fire and Volunteer Fire Departments



Transportation	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Total Budgeted Amount	7,601,608	7,584,918	8,738,491	8,396,561	8,853,064
Dollar Change	1,892,731	(16,690)	1,153,573	(341,930)	456,503
Percent Change	33.2%	-0.2%	15.2%	-3.9%	5.4%

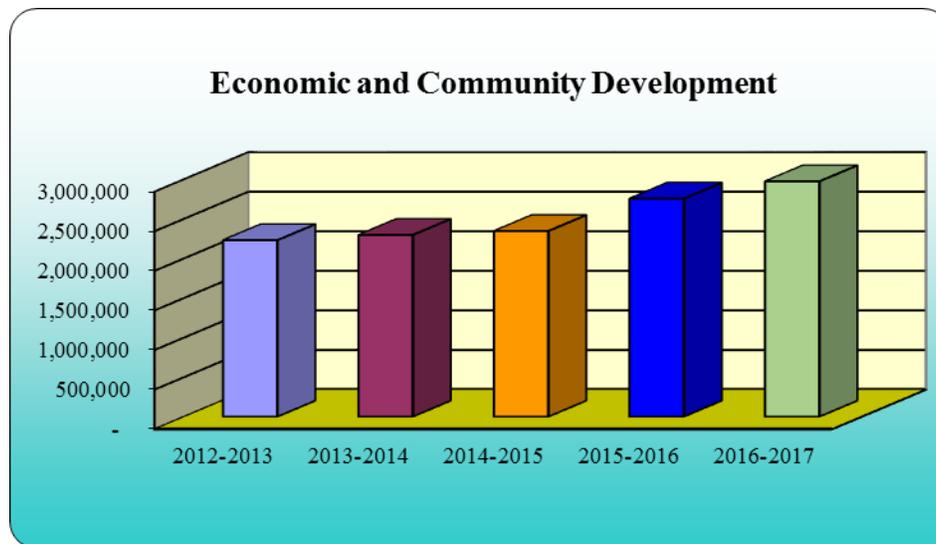
Departments/Divisions: Airport, FBO, Street and Traffic

Consolidated Budget Summary



Environmental Protection	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Total Budgeted Amount	24,508,757	24,603,670	28,246,552	30,120,569	26,531,996
Dollar Change	2,531,524	94,913	3,642,882	1,874,017	(3,588,573)
Percent Change	11.5%	0.4%	14.8%	6.6%	-11.9%

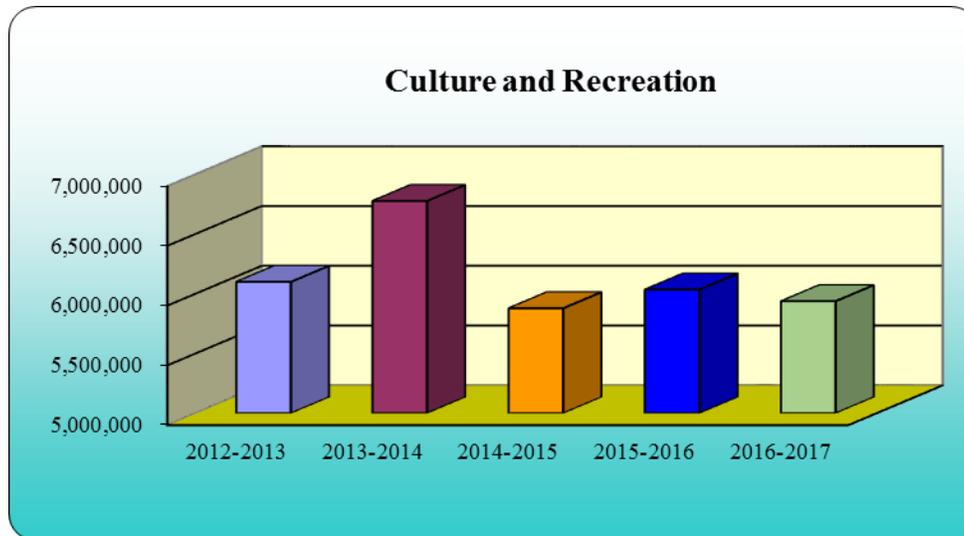
Departments/Divisions: Public Utilities (Water and Sewer), Stormwater, Residential Sanitation, Commercial Bulk Services, Recycling and Sludge Composting Facility



Economic/Community Dev.	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Total Budgeted Amount	2,238,262	2,304,862	2,354,332	2,763,670	2,981,290
Dollar Change	166,177	66,600	49,470	409,338	217,620
Percent Change	8.0%	3.0%	2.1%	17.4%	7.9%

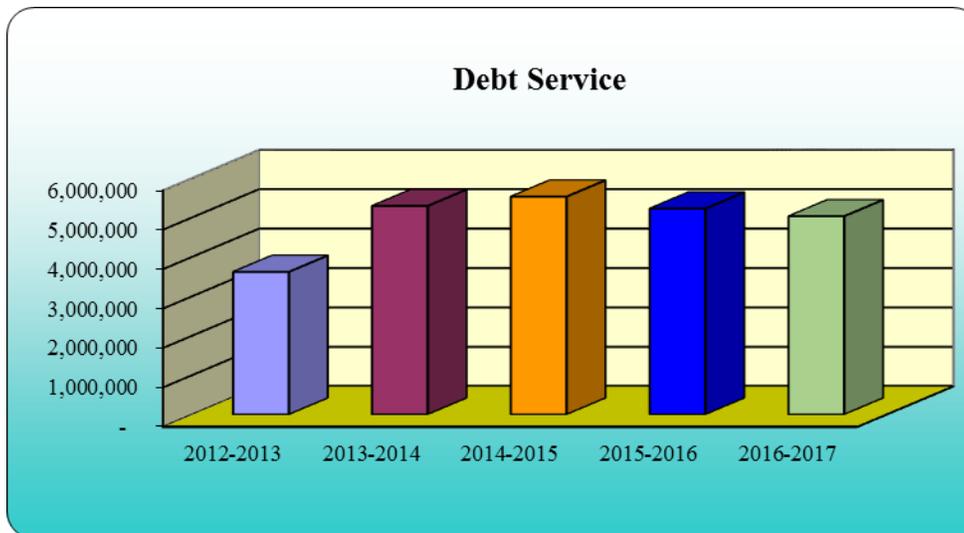
Departments/Divisions: Tourism Development Authority, Special Appropriations (General Fund) and Planning

Consolidated Budget Summary



Culture and Recreation	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Total Budgeted Amount	6,098,880	6,775,835	5,878,288	6,034,469	5,937,195
Dollar Change	426,308	676,955	(897,547)	156,181	(97,274)
Percent Change	7.5%	11.1%	-13.2%	2.7%	-1.6%

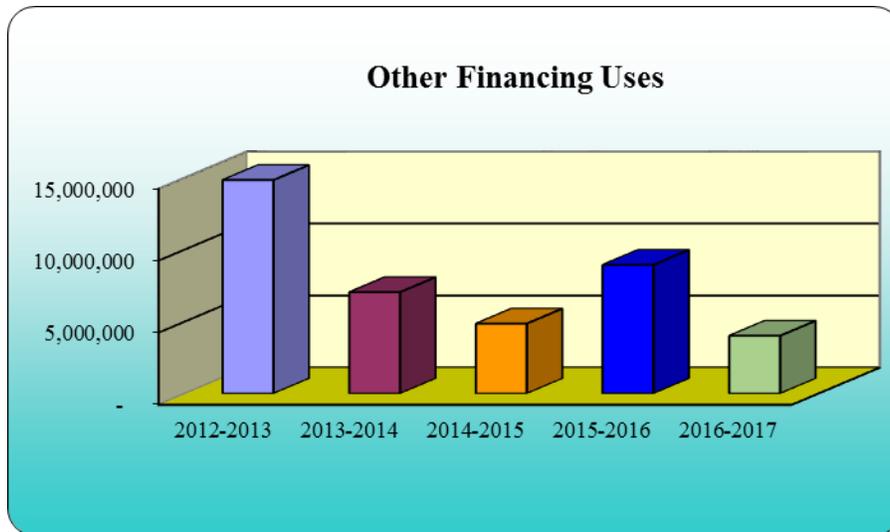
Departments/Divisions: Parks and Recreation, Parks Maintenance, L.P. Frans Stadium and Library



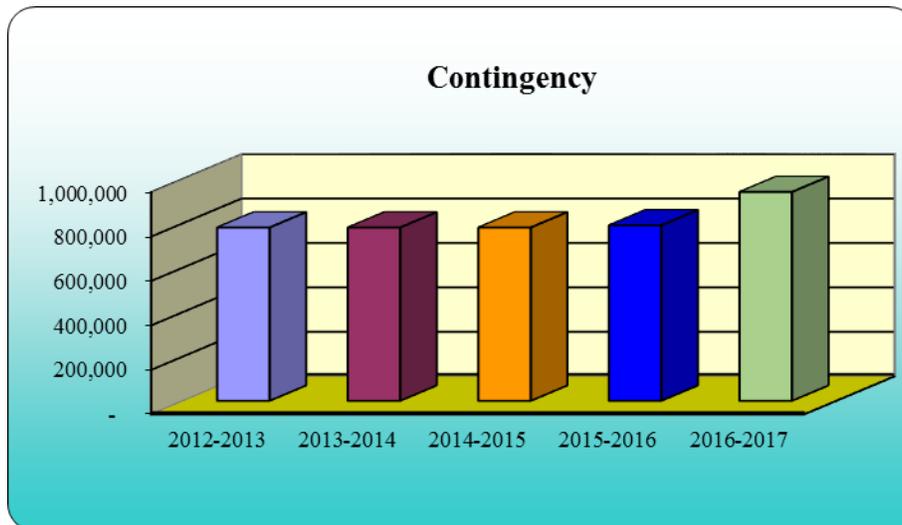
Debt Service	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Total Budgeted Amount	3,624,055	5,296,157	5,532,329	5,229,714	5,035,311
Dollar Change	(347,702)	1,672,102	236,172	(302,615)	(194,403)
Percent Change	-8.8%	46.1%	4.5%	-5.5%	-3.7%

Funds with Debt: General Fund and Water and Sewer Fund

Consolidated Budget Summary



Other Financing Uses	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Total Budgeted Amount	14,827,240	7,044,461	4,859,657	8,940,142	4,018,008
Dollar Change	6,016,106	(7,782,779)	(2,184,804)	4,080,485	(4,922,134)
Percent Change	68.3%	-52.5%	-31.0%	84.0%	-55.1%



Contingency	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Total Budgeted Amount	790,000	790,000	790,000	800,000	950,000
Dollar Change	(613,800)	-	-	10,000	150,000
Percent Change	-43.7%	0.0%	0.0%	1.3%	18.8%

Funds with Contingency: General Fund and Water and Sewer Fund

Consolidated Budget Summary



Consolidated Fund Balance Discussion

In all City funds at the close of 2014-2015, there was a total of \$55,172,157 in fund balance/unrestricted net position. The Local Government Commission recommends the minimum level of General Fund Balance available for appropriation at 8% of prior years' expenditures. The Hickory City Council has a financial policy striving to maintain a fund balance of 25% of its general operating budget. The reason for this policy is to avoid cash flow interruptions, to generate investment income, to eliminate the need for short-term borrowing, and to have a reserve available in case of sudden emergencies or opportunities.

For all City of Hickory funds, the fund balance/unrestricted net position trends and totals are as follows:

Fund Balance / Unrestricted Net Position	2012-2013 Actual	2013-2014 Actual	2014-2015 Actual	2015-2016 Estimated
General Fund-Unassigned FB	13,072,784	13,515,066	14,031,436	15,531,436
Capital Reserve Fund-Committed FB	13,322,725	13,381,759	11,437,451	5,846,209
Water and Sewer-Unrestricted Net Position	17,656,507	19,464,584	24,323,219	27,091,057
Sludge-Unrestricted Net Position	-	16,348	-	-
Stormwater-Unrestricted Net Position	283,982	327,607	394,379	378,628
Solid Waste-Unrestricted Net Position	1,855,309	1,576,885	1,551,585	1,747,584
Fleet Maint.-Unrestricted Net Position	(531,802)	(449,732)	(573,653)	(665,466)
Transportation-Unrestricted Net Position	682,920	764,010	125,238	340,186
Insurance-Unrestricted Net Position	5,153,074	5,334,380	3,882,502	3,411,300
Fund Totals	51,495,499	53,930,907	55,172,157	53,680,934

Consolidated Budget Summary



Staffing Analysis

There are 654 full-time positions included in the recommended FY2016-2017 budget.

The Police department converted a full-time sworn officer position (Court Liaison Officer) into three (3) part-time positions that will be performing the duties of Court Liaison Officer. This change resulted in an overall reduction of full-time positions from 655 in FY2015-2016 to 654 in FY2016-2017.

A staffing analysis in the Public Works department resulted in a reallocation of staff and new division structures. Several divisions are now reporting directly to the Transportation Manager, a Civil Engineer. This reorganization provides the opportunity to utilize existing personnel across the department as conditions and seasons change, and does not result in any additional positions.

The Public Utilities department also reorganized positions and reallocated existing staff to allow for future departmental growth and succession planning. No additional positions were created in the reorganization.

The Warehouse Coordinator previously housed in the Finance department was moved to the Public Utilities department to better coordinate the distribution of supplies and materials to staff.

The Communications department reorganized after the departure of the Communications Director. The Assistant to the City Manager moved to the Office of Communications as Governmental Affairs Manager, the Communications Specialist was promoted to Communications and Marketing Manager and a new Communications Specialist was appointed from an internal assessment center. This reorganization did not result in any additional positions.

The Information Technology (IT) department downgraded a Systems Analyst position to an IT Technician position due to the increasing need for the type of work typically performed by a technician. An existing Senior Systems Analyst was converted to a Network Architect, due to the nature of the work being performed.

Three part-time Court Liaison positions were added to the Police department due to the conversion of a full-time Court Liaison position. There are no increases to seasonal positions.

Using a population of 40,155, the City's employee per 1,000 population ratio is 16.20, which is below the adopted City Council policy of a maximum of twenty (20) employees per 1,000 population.

Consolidated Budget Summary



Staffing Analysis	2011-12 Actual	2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 Budgeted
Administration - City Manager's Office	5	5	5	5	5	5
Communications	3	3	3	3	3	3
Budget	1	1	1	1	1	1
Human Resources	5	5	5	5	5	5
Risk	1	1	1	1	2	2
City Clerk	1	1	1	1	1	1
Engineering	9	9	8	8	8	8
Finance	21	22	21	21	21	20
Legal	2	2	2	2	2	2
Public Services						
Building Services	6	6	6	6	6	6
Landscape Services	17	17	17	17	17	17
Central Services	7	7	7	7	7	7
Fleet Maintenance	11	11	11	11	12	12
Information Technology	9	8	8	8	8	8
Public Safety						
Fire	136	136	135	135	135	135
Police (116 Sworn and 36 Civilian)	150	151	152	152	153	152
Transportation						
Airport	7	7	8	8	8	8
Public Services - Streets	43	43	43	43	43	43
Public Services - Traffic	11	11	11	11	11	11
Environmental Protection						
PS-Sanitation - Commercial	12	12	12	12	11	11
PS-Sanitation - Residential	8	8	8	8	12	12
PS-Stormwater	1	1	1	1	1	1
PS-Public Utilities Administration	10	10	10	10	10	11
PS-Henry Fork Plant	10	10	10	10	10	10
PS-Northeast Plant	11	11	11	11	11	11
PS-Pretreatment and Labs	7	7	7	7	7	7
PS-Collection System (Pump Stations)	13	13	13	13	13	13
PS-Distribution System (Construction)	34	34	34	34	35	35
PS-Water Plant	11	11	11	11	11	11
PS-Claremont	2	2	2	2	2	2
PS-Catawba					3	3
PS-Recycling	16	16	16	16	13	13
Economic and Community Development						
Planning	8	8	8	8	8	8
Culture and Recreation						
Library	19	19	18	18	18	18
Parks and Recreation	18	18	18	18	18	18
Parks and Recreation - Maintenance	24	24	24	24	24	24
Total	649	650	648	648	655	654

Other Funds



2016-2017 Recommended Budget

Community Development Block Grant



The Community Development Block Grant (CDBG) Fund was created to administer annual block grants from the United States Department of Housing and Urban Development (HUD). Hickory must use the funds for strictly defined HUD purposes, including income generated through loans made with CDBG funds. Specifically, the CDBG-eligible activities that are applicable to the City of Hickory's needs are:

- Acquisition of real property
- Disposition of real property
- Public facilities and improvements such as senior centers, neighborhood facilities, and street improvements
- Clearance and demolition
- Housing rehabilitation assistance
- Economic development
- Funding for neighborhood-based non-profit entities to accomplish neighborhood revitalization

The primary objective of the CDBG program is to develop viable urban communities by providing decent housing, creating a suitable living environment, and by expanding economic opportunities, principally for persons of low and moderate income. Hickory, which has been a CDBG Entitlement City since 1982, has long recognized the need to assist in community development. The City of Hickory completes a Consolidated Plan for Housing and Community Development every five years. This plan was most recently updated in spring 2015 for the 2015 through 2019 program years.

The City of Hickory's Community Development Office, which is part of the Planning and Development Department, is responsible for marketing the program, screening and determining project eligibility (generally based benefit to households earning less than 80% of the area median income).

The City's 2015-2019 Consolidated Plan for Housing and Community Development contains ten primary goals for the five year Consolidated Plan:

1. **Preserve the City's Housing Stock** - Provide support for the rehabilitation and reconstruction of existing housing units to be used for owner and rental occupancy.
2. **Public Infrastructure** - Provide support for necessary improvements to public infrastructure in low to moderate income neighborhoods.
3. **Down Payment Assistance** - Increase homeownership by providing down payment assistance to first time homebuyers.
4. **Provide Services to Persons Living with HIV and AIDS** - Provide funding to ensure persons living with HIV and AIDS are able to access case management services and housing services.
5. **Park Improvements** - Provide support for necessary improvements to parks and neighborhood facilities in low to moderate income neighborhoods.
6. **Homelessness Services and Prevention** - Provide services to support the homelessness as well as services aimed at preventing households from becoming homeless.
7. **Youth Services** - Provide support for at risk youth to increase their chances of succeeding in academics and employment.
8. **Increase Entrepreneurship Opportunities** - Provide support to microenterprises as a means to increase economic opportunities for low and moderate income individuals.
9. **Increase Fair Housing Outreach and Awareness** - Provide support to increase awareness of fair housing rights in the community and affirmatively further fair housing.
10. **Demolish Dilapidated Structures** - Provide funding to demolish dilapidated structures to reduce blight.

Community Development Block Grant



Fund Balance Projection

One of the HUD stipulations for the Community Development Block Grant Fund is that an administering agency cannot profit from the use of grant funds. A fund balance of zero is maintained by grant reimbursements to offset program expenditures less program income.

Contacts

If you have any questions about this program, please call CDBG Manager Dave Leonetti at 828-323-7414.

CITY OF HICKORY
2016 COMMUNITY DEVELOPMENT ENTITLEMENT
BLOCK GRANT PROJECT ORDINANCE

BE IT ORDAINED by the City Council of the City of Hickory that, pursuant to Section 13.2 of Chapter 159 of the General Statutes of North Carolina, the following grant project ordinance is hereby adopted.

SECTION 1. The project authorized is the 2016 Community Development Entitlement Block Grant program.

SECTION 2. The officers of this unit are hereby directed to proceed with the grant project within the terms of the grant document(s), the rules and regulations of the Department of Housing and Urban Development, and the budget contained herein.

SECTION 3. The following revenues are anticipated to be available to complete the project:

Restricted Intergovernmental Revenues	\$ 280,251
Miscellaneous	<u>\$ 130,000</u>
	\$ 410,251

SECTION 4. The following amounts are appropriated for the project:

Economic and Community Development	\$ 410,251
	<u>\$ 410,251</u>

SECTION 5. The Finance Officer is hereby directed to maintain within the Grant Project Fund sufficient specific detailed accounting records to provide the accounting to the grantor agency required by the grant agreement(s) and Federal and State regulations.

SECTION 6. Funds may be advanced from the General Fund for the purpose of making payments as due. Reimbursement requests should be made to the grantor agency in an orderly and timely manner.

SECTION 7. The Finance Officer is directed to report quarterly on the financial status of each project element in Section 4 and on the total grant revenues received or claimed.

SECTION 8. The City Manager (Budget Officer) is directed to include a summary analysis of past and future costs and revenues on this grant project in every budget submission made to this board.

SECTION 9. Copies of this grant project ordinance shall be furnished to the Clerk of the Governing Board, the City Manager (Budget Officer) and the Finance Officer for direction in carrying out this project.

Adopted this 21st day of June, 2016

Debbie D. Miller, City Clerk

Rudy Wright, Mayor

Capital Improvements / Grant Projects



2016-2017 Recommended Budget

Capital Improvements/Grant Projects



The Capital Improvements/Grant Projects portion of the budget document contains information on the following areas:

5 Year CIP

The 5 Year Capital Improvement Plan (CIP) is the financial plan for the purchase or construction of capital assets. The CIP contains information on the upcoming budget year as well as five planning years beyond the upcoming year.

This section contains information on equipment purchases and construction projects that are listed in the City of Hickory's 5 Year CIP. This section is intended to provide a comprehensive look at all capital purchases and capital projects greater than \$5,000 which are either taking place or scheduled to take place within the City.

As part of the CIP requests, departments are asked to include estimates of how each project may affect future operating budgets. Examples of this include any new personnel, equipment, maintenance, or operating expenses that a capital purchase or project might necessitate.

Some of the purchases or projects listed in this plan will not occur in the year listed, or may never occur. To omit them would not give the reader a full understanding of the capital needs of the City. Decisions on proceeding with the purchases or projects listed in the 5 Year CIP are ultimately made by City Council.

Capital Projects

Capital projects are those projects which either acquire or construct an asset of a long term character such as land, buildings, improvements, machinery or equipment. Capital projects may be accounted for in any fund.

Grant Projects

Grant projects are those projects which are funded either in full or in part by federal or state funds. These funds may be for either capital or operating purposes. Grant projects may be accounted for in any fund.

Disclosure

The purpose of this section is not to describe the different funds, ordinances or accounting requirements for each capital purchase or capital project as much as it is to describe the purchases and projects themselves. Therefore, you will find less continuity related to individual funds than you found earlier in this document. This is by design and is necessitated due to the broad transcending nature of the subject.

Capital Improvements/Grant Projects



5 Year CIP Items	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22
GENERAL FUND EQUIPMENT						
Administration						
Computer Replacements/Software		\$ 5,000	\$ 6,400	\$ 7,200		
Finance						
Computer Replacements/Software	\$ 11,800		\$ 10,400	\$ 6,500	\$ 9,300	
Information Technology						
APC UPS Batteries	\$ 8,000					
Cisco Phones		\$ 10,000	\$ 10,000	\$ 10,000		
Cognos BI	\$ 21,040					
Computer / Laptop Replacements		\$ 19,200	\$ 6,000			\$ 19,200
Disaster Recovery Upgrade / Migration Cloud					\$ 400,000	
Enterprise Core CAL / Intune / System Ctr		\$ 75,000				
Executime	\$ 85,000					
iSeries Replacement / Update		\$ 75,000				
NavLine Upgrade / GUI Interface	\$ 22,760					
Phone System Hardware Refresh		\$ 45,000				
UCS Hardware Refresh	\$ 200,000	\$ 175,000				
SAN Upgrade				\$ 300,000		
SQL Server Upgrade				\$ 10,000		
Switch Replacement / Upgrades		\$ 40,000	\$ 52,000	\$ 150,000	\$ 40,000	
Upgrade Office Suite / G3		\$ 100,000				
UPS Upgrade			\$ 100,000	\$ 5,000		
Windows Server / Cal Upgrades		\$ 30,000				
Wireless AP Hardware Refresh				\$ 15,000		
Engineering						
Computer Replacements		\$ 5,000	\$ 5,000		\$ 5,000	
Inkjet Plotter / Scanner		\$ 15,000				
Robotic, Data Collector and GPS Vehicle	\$ 10,000				\$ 42,500	
			\$ 20,000			
Planning and Development						
Computer Replacements	\$ 5,000		\$ 5,000			
Vehicle Replacement	\$ 25,000	\$ 20,000	\$ 25,000			
Police Department						
Police Vehicles	\$ 525,000	\$ 475,000	\$ 475,000	\$ 475,000	\$ 500,000	\$ 500,000
Light bars	\$ 16,875	\$ 16,875	\$ 16,875	\$ 16,875	\$ 16,875	\$ 16,875
Accessories-New Vehicles	\$ 25,000	\$ 30,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Lexan Partitions	\$ 11,250	\$ 11,250	\$ 11,250	\$ 11,250	\$ 11,250	\$ 11,250
Radios-Vehicle		\$ 25,000				
Police Boat			\$ 65,000			
Radars	\$ 21,000	\$ 21,000	\$ 21,000	\$ 21,000	\$ 21,000	\$ 21,000
Radios for Officers			\$ 140,000	\$ 140,000		
Radios 800 System-Vehicles	\$ 25,000	\$ 48,000	\$ 48,000	\$ 48,000	\$ 48,000	\$ 48,000
Radio System Refresh		\$ 575,000				
Replacement Vehicle			\$ 36,000		\$ 36,000	
Replacement Walkies		\$ 140,000				
Terminals and Monitor Repl - Dispatch		\$ 20,000				
SOT Armor Vests		\$ 60,000				
SOT Night Vision		\$ 10,000				
Tasers		\$ 25,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000
Weapons	\$ 15,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Batteries for UPS System			\$ 15,000			
Camera Replacement			\$ 6,000			
Computer / Laptop Replacements	\$ 145,000	\$ 15,000	\$ 65,000	\$ 65,000	\$ 75,000	\$ 65,000
Migrate to New Service for P2C	\$ 10,000					
Server Replacements					\$ 150,000	
Software Maintenance					\$ 8,000	
Switch Stack Replacement	\$ 30,000					
Furniture	\$ 25,000	\$ 25,000	\$ 5,000	\$ 5,000	\$ 10,000	\$ 5,000

Capital Improvements/Grant Projects



5 Year CIP Items	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22
Street Sweeper					\$ 250,000	
Tandem Dump Truck		\$ 135,000	\$ 130,000		\$ 130,000	\$ 130,000
Track Hoe - Large size						\$ 220,000
Tractor - Midsize (Misc.)			\$ 50,000	\$ 40,000		
Tractor / Mower Combo	\$ 80,000	\$ 80,000				
Landscape						
Mowers / Snowplows	\$ 20,000	\$ 20,000		\$ 20,000	\$ 20,000	\$ 10,000
1 Ton Dump Truck		\$ 48,000	\$ 48,000	\$ 31,000		\$ 48,000
F-250 Cab Truck				\$ 26,000		
Crew Cab Trucks		\$ 31,000			\$ 31,000	\$ 31,000
Bobcat Skid Steer		\$ 40,000				
Computer Replacement		\$ 6,600				
Tractors	\$ 40,000					
Truck with Auger			\$ 30,000			
Trailer with Trimmer Rail			\$ 5,300			
Parks and Recreation						
ADA Evaluation and Transition Plan				\$ 50,000		
Baseball Scoreboard Replacements						\$ 18,000
Basketball Scoreboard Replacements			\$ 9,000	\$ 4,500	\$ 9,000	
Computer Replacements	\$ 7,800	\$ 5,200	\$ 5,200	\$ 3,900	\$ 7,800	\$ 5,200
Defibrillator	\$ 11,200					
Fitness Center Equip. Replacement	\$ 11,603	\$ 27,500	\$ 10,718	\$ 24,600	\$ 55,218	\$ 36,333
Playground Equipment Replacement - Hilton Park					\$ 52,991	
Playground Equipment Replacement - Kiwanis Park						\$ 57,820
Playground Equipment Replacement - Winkler Park		\$ 16,000	\$ 101,200	\$ 91,800		
Skate park Component Replacement			\$ 68,400			
Parks and Recreation Maint.						
Athletic Field Prep Machine Replacement					\$ 25,000	
Curbing Machine		\$ 27,000				
Leaf Vacuums				\$ 7,000		
Mini-Excavator				\$ 57,000		
Mower Replacements	\$ 56,200					
Tractor Replacement		\$ 28,500				
Truck Replacements	\$ 36,000	\$ 36,000	\$ 36,000		\$ 36,000	\$ 72,000
Van Replacement	\$ 38,000	\$ 36,000	\$ 36,000	\$ 36,000		
Library						
Computer Replacements	\$ 5,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Furniture		\$ 5,000	\$ 12,000			
Software / RFID Equipment	\$ 27,000					
GF Equipment Total	\$ 3,084,228	\$ 4,557,625	\$ 3,437,743	\$ 3,506,625	\$ 2,956,934	\$ 2,356,678
GENERAL FUND CONSTRUCTION						
Police Department						
Architect & Engineer Plans	\$ 10,000					
Boiler Gas Modulating Units	\$ 20,000					
Electrical and Plumbing	\$ 10,000					
Flooring	\$ 25,000	\$ 50,000		\$ 50,000	\$ 50,000	
HVAC Replacement					\$ 6,000	
Painting Int/Ext Building		\$ 43,000	\$ 40,000	\$ 50,000	\$ 41,000	\$ 6,000
Phone Cables Removed		\$ 20,000				
Police Annex Fence		\$ 60,000				
Renovation of Police Annex Facility		\$ 90,000				
Scenario Based Training Facility				\$ 450,000		
Fire Department						
COH Public Safety Training Center Property		\$ 150,000			\$ 9,000,000	
FS #2 Property Relocation - Springs Rd		\$ 125,000				
FS #2 New Construction				\$ 2,200,000		
FS #6 Demolish and Rebuild			\$ 2,000,000			

Capital Improvements/Grant Projects



5 Year CIP Items	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22
Parks and Recreation						
Bruce Meisner Park			\$ 1,541,200		\$ 2,386,804	
Cliff Teague Park Urban Trail and Greenway					\$ 330,000	
Kiwanis Park Urban Trail / Greenway Loop			\$ 760,000			
LRU/Stanford Park Greenway		\$ 135,000				
Parks and Recreation Comprehensive Master Plan					\$ 62,000	
Sandy Pines Park Master Site Plan		\$ 32,000				
Stanford Park Urban Trail/Greenway Loop		\$ 935,000				
Parks and Recreation Maint.						
Access Control System Upgrade - Highland Rec.		\$ 8,900				
Ballfield Fence Repl. - West Hickory					\$ 50,300	
Ballfield Fence Repl. - Hickory Optimist			\$ 34,000			
Ballfield Fence Repl. - Kiwanis Park				\$ 42,500		
Ballfields #3, #4 Replacement - Kiwanis Park						\$ 68,000
Concession/Restroom Replacement - Kiwanis Park		\$ 82,000				
Demolition of - Westmont Recreation Center						\$ 38,000
Field #1 Lighting Sys Repl. - Kiwanis Park				\$ 175,000		
Field #1 Lighting Sys Repl. - Neill Clark		\$ 181,000				
Fitness Center Lighting System - Highland Rec.		\$ 8,500				
HVAC System Repl. - Neill Clark		\$ 20,000				
HVAC System Repl. - Jaycee Park Bldg.			\$ 16,500			
HVAC System Repl. - Recreation Maintenance						\$ 6,000
HVAC System Repl. - Winkler Mus/Winkler Act Ctr				\$ 20,000		
Lighting of Soccer Fields - Henry Fork Phase II					\$ 385,000	
Parking Lot Repaving - Fairbrook Opt.	\$ 53,500					
Parking Lot Repaving - Henry Fork River Reg. Park				\$ 65,000		
Parking Lot Repaving - Kiwanis Park			\$ 65,000			
Parking Lot Repaving - Stanford Park					\$ 65,000	
Pedestrian Bridge Replacement - Hilton Park					\$ 90,000	
Picnic Shelter #1 Replacement - Hilton Park						\$ 85,000
Restroom Facility Replacement - Fairbrook	\$ 76,450				\$ 62,000	
Restroom Facility Replacement - Kiwanis Park					\$ 62,000	
Resurface Tennis Courts - Westmont	\$ 24,000					
Roof Replacement - Neill Clark Main		\$ 74,000				
Security Alarm System - Neill Clark Main			\$ 11,700			
Tennis Court Reconstruction - Cliff Teague Park						\$ 19,000
Trail Resurfacing - Cliff Teague Park		\$ 33,600				
Trail Resurfacing - Henry Fork		\$ 50,400				
LP Frans Stadium						
Backstop Netting Replacement	\$ 5,100					
Dugout to Dugout Netting with Pole Removal					\$ 70,000	
Park Identification Signs				\$ 9,000		
Parking Lot Repaving - Winkler Park						\$ 91,000
Playground Equipment Replacement			\$ 25,000			
Scoreboard/Videoboard Replacement		\$ 313,500				
Library						
Architectural Design - Ridgeview			\$ 40,000			
HVAC System Update	\$ 10,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000
Patrick Beaver Renovations / Fire Alarm Sys	\$ 41,000					
Ridgeview Renovations / Expansion / Roof	\$ 40,000			\$ 500,000		
Update Public Restrooms	\$ 52,000					
GF Construction Total	\$ 315,050	\$ 2,431,900	\$ 4,553,400	\$ 3,581,500	\$12,618,104	\$ 333,000
GENERAL FUND TOTAL	\$ 3,399,278	\$ 7,139,525	\$ 8,141,143	\$ 7,238,125	\$15,725,038	\$ 2,839,678

Capital Improvements/Grant Projects



5 Year CIP Items	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22
FLEET FUND EQUIPMENT						
Fleet Maintenance						
Fluids Management System				\$ 10,000		
Furnace - Heating System						\$ 15,000
Gasoline and Diesel Fuel Storage Tanks					\$ 600,000	
Heavy Truck Lift / Other Equipment			\$ 60,000			
Roof Maintenance					\$ 7,500	
Service Truck	\$ 25,000	\$ 30,000		\$ 30,000		
Fleet Fund Equipment Total	\$ 25,000	\$ 30,000	\$ 60,000	\$ 40,000	\$ 607,500	\$ 15,000
FLEET FUND TOTAL						
	\$ 25,000	\$ 30,000	\$ 60,000	\$ 40,000	\$ 607,500	\$ 15,000
WATER AND SEWER FUND EQUIPMENT						
Administration						
Computer Replacements		\$ 6,000				\$ 6,000
Radio Read Meters	\$ 102,600	\$ 102,600	\$ 102,600	\$ 102,600	\$ 102,600	\$ 102,600
Truck	\$ 20,000	\$ 18,000	\$ 18,000	\$ 18,000	\$ 20,000	\$ 20,000
Trailblazer						
Collection System						
1/2 Ton 4x4 Pickup Truck	\$ 25,000					
Backhoe		\$ 60,000			\$ 160,000	
Dump Truck					\$ 100,000	
Jett Trailer			\$ 60,000	\$ 75,000		
Portable Welder					\$ 5,000	
Pumps for Pump Station		\$ 100,000				
Service Truck with Boom		\$ 75,000				
Service Trucks	\$ 45,000	\$ 25,000	\$ 40,000			
Sewer Camera System	\$ 100,000					
Skid Steer w/ Grinder						\$ 50,000
Tractor w/Front End Loader			\$ 65,000			
Unanticipated Sewer Line Installation	\$ 7,000	\$ 7,000	\$ 7,000		\$ 7,000	
Vac-All Jett Vac Truck			\$ 400,000			
Henry Fork Plant						
Aeration Basin Mixer	\$ 33,000	\$ 35,000	\$ 36,500		\$ 36,000	
Aqua Guard Barscreen		\$ 180,000				
Blower					\$ 80,000	
EQ Basin Aerator Motors	\$ 12,000					
Master Plan	\$ 40,000					
Mixed Liquor Return Pump		\$ 76,485	\$ 72,834			
Mower						\$ 10,000
Other Equipment			\$ 10,000			
Primary Sludge Pump		\$ 25,520				
Raw Sewage Pump		\$ 110,000	\$ 100,000			
Replacement Pumps (Various)			\$ 30,000	\$ 69,000	\$ 40,000	
Scada System PLC's Upgrade	\$ 65,000					
Tanker Truck		\$ 128,000				
Truck Replacement				\$ 25,000		\$ 25,000
Northeast Plant						
Master Plan	\$ 40,000					
Mower / Lawn Tractor						\$ 10,000
Pickup Truck 4x4	\$ 20,000				\$ 20,000	
Replacement Pumps (Various)	\$ 35,000	\$ 7,000	\$ 16,000	\$ 36,000		\$ 26,000
Sludge Road Tractor				\$ 100,000		
Sludge Tanker			\$ 60,000			
Specialized Equipment		\$ 8,000	\$ 8,000		\$ 20,000	\$ 19,000
Water Treatment Plant						
Emergency Generator						\$ 100,000
Filter Accuators	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	
Finish Water Clearwell Top		\$ 90,000	\$ 80,000			
Flash Mixer				\$ 20,000	\$ 20,000	
Flocculators	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	

Capital Improvements/Grant Projects



5 Year CIP Items	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22
Flow Metering Raw Water	\$ 60,000					
Lab PH Meter	\$ 5,000				\$ 5,000	
Master Plan	\$ 40,000					
Replacement Pumps (Various)	\$ 50,000	\$ 9,000	\$ 72,000	\$ 72,000	\$ 59,000	\$ 50,000
Scada Upgrade			\$ 50,000			
Specialized Equipment	\$ 30,000	\$ 55,000			\$ 50,000	\$ 10,000
Tube Settlers	\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000	\$ 38,000
Pretreatment & Lab						
Cargo Van		\$ 30,000				
Portable Samplers	\$ 8,400		\$ 5,600			
Specialized Equipment			\$ 23,000	\$ 11,000	\$ 60,000	\$ 5,000
Hickory Catawba Wastewater						
Replacement Pumps (Various)					\$ 18,000	
Shed for Equipment	\$ 50,000					
Service Truck 4WD	\$ 25,000	\$ 25,000	\$ 25,000			
Sludge Pump Loading Rebuild						\$ 10,000
Specialized Equipment	\$ 8,500				\$ 10,000	\$ 10,000
Distribution						
Air Compressor		\$ 20,000		\$ 20,000		
Backhoe		\$ 70,000	\$ 70,000	\$ 73,000	\$ 73,000	\$ 80,000
Dump Truck Replacement	\$ 90,000	\$ 90,000				
Flusher Truck				\$ 55,000		
Mini Excavator w/ Trailer	\$ 60,000					
Pickup Truck 4x4	\$ 54,000		\$ 52,000			\$ 30,000
Piercing Tools, Tamps, Miscellaneous	\$ 10,000	\$ 11,000	\$ 13,000	\$ 18,000	\$ 18,000	
Pipe Saw, Metal Detectors, Misc.		\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 8,000
Pumps, Locators, Pipe Saws	\$ 8,000					
Service Truck Replacements / Vehicle SUV 4x4	\$ 35,000	\$ 46,000	\$ 96,000	\$ 96,000	\$ 98,000	\$ 47,000
Shed for Equipment	\$ 100,000					
Unanticipated Water Line Repairs	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000
W & S Equipment Total	\$ 1,281,500	\$ 1,522,605	\$ 1,625,534	\$ 903,600	\$ 1,114,600	\$ 663,600
WATER AND SEWER CONSTRUCTION						
12th St Dr NW to Main Ave NW Waterline Rehab				\$ 525,000		
1st St NE & 2nd St NE (behind FRMC)	\$ 20,000	\$ 40,120				
Brookford Replacement				\$ 250,000		
Comprehensive System Analysis	\$ 500,000					
Henry Fork Outfall Repl Engineering SSO Program					\$ 1,250,000	
Kenworth Water System Rehab	\$ 302,000					
Main Ave. NW to 1200 Block			\$ 315,000	\$ 500,000		
Moose Club - Complete Rebuild	\$ 700,000					
Moose Club - Evaluate Alternate Route	\$ 100,000					
Old Lenoir Rd Area Repl/Rehab Waterline					\$ 812,500	
Spring Haven Subdivision - Water Main						\$ 262,500
SSES Evaluation - Hospital Area	\$ 50,000					
SSES Evaluation - Shuford Pump Station	\$ 50,000					
SSES Evaluation - Hwy 127N	\$ 50,000					
Swr System Eval (Repl/Rehab) Downtown to Southgate	\$ 220,000	\$ 220,000	\$ 220,000			
Ward Hosiery - SSO Program					\$ 300,000	
W & S Construction Total	\$ 1,992,000	\$ 260,120	\$ 535,000	\$ 1,275,000	\$ 2,362,500	\$ 262,500
WATER AND SEWER FUND TOTAL	\$ 3,273,500	\$ 1,782,725	\$ 2,160,534	\$ 2,178,600	\$ 3,477,100	\$ 926,100
SLUDGE FUND EQUIPMENT						
Housing and Chains for Conveyors	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
SLUDGE FUND TOTAL	\$ 50,000	\$ 50,000				
TRANSPORTATION FUND EQUIPMENT						
Airport						
Computer Replacements	\$ 5,000				\$ 5,000	
Replace Tractor and Bushhog			\$ 70,000			
Transportation Equipment Total	\$ 5,000	\$ -	\$ 70,000	\$ -	\$ 5,000	\$ -

Capital Improvements/Grant Projects



5 Year CIP Items	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22
TRANSPORTATION CONSTRUCTION						
Airport						
Precision Approach Path Indicators (PAPI) Repl.		\$ 10,000				
Repair Fire Station Roof and Paint	\$ 15,000	\$ 30,000				
FBO						
Construct New Hangar				\$ 1,500,000		
FBO Building Repairs				\$ 22,000	\$ 50,000	
Hangar Repairs	\$ 50,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000
Jet A and 100LL Fuel Trucks						\$ 250,000
New TUG			\$ 30,000			
Transportation Construction Total	\$ 65,000	\$ 100,000	\$ 90,000	\$ 1,582,000	\$ 110,000	\$ 310,000
TRANSPORTATION FUND TOTAL	\$ 70,000	\$ 100,000	\$ 160,000	\$ 1,582,000	\$ 115,000	\$ 310,000
SOLID WASTE EQUIPMENT						
Recycling						
Boom Truck					\$ 160,000	
Front Loader / Automated Truck						\$ 275,000
Rear Packer		\$ 235,000	\$ 235,000			
Residential Sanitation						
Automated Truck	\$ 275,000		\$ 275,000		\$ 275,000	
Rear Packer		\$ 235,000		\$ 235,000		
Commercial Bulk Services						
Compactor Trailer	\$ 63,000				\$ 63,000	
Dumpster Boxes / Kits	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Front Loader				\$ 245,000		\$ 255,000
Road Tractor				\$ 125,000		
Vehicle Replacement					\$ 25,000	
Transfer Station Trailer			\$ 63,000			
Solid Waste Equipment Total	\$ 363,000	\$ 495,000	\$ 598,000	\$ 630,000	\$ 548,000	\$ 555,000
SOLID WASTE FUND TOTAL	\$ 363,000	\$ 495,000	\$ 598,000	\$ 630,000	\$ 548,000	\$ 555,000
TOTAL FUNDS	\$ 10,317,006	\$ 14,004,875	\$ 14,457,420	\$ 15,075,350	\$ 20,942,768	\$ 6,902,456

Debt Service



2016-2017 Recommended Budget

Debt Service

Like most municipalities, the City of Hickory utilizes debt as a means to finance long-term capital projects. Hickory has traditionally maintained a conservative position regarding the use of debt while simultaneously benefiting from its use to fund projects such as water plants, libraries, and police stations. Because of its critical importance to the City's financial solvency, debt is regulated not only by Council policy, but also by North Carolina statutes. The *Debt Service* section examines the specifics of the City's debt, **and includes only that debt that the City has outstanding at the time of the printing of this document**. To view the anticipated debt for the next five years, please review the *Five Year Financial Forecast* sections. This section concludes with the computation of the legal debt margin that presents the City's debt ceiling.

Discussion

The City of Hickory's bond rating is AA from Standard & Poor's, and Aa3 from Moody's. These ratings were upgraded during FY2008-2009, from a previous rating of AA- from Standard & Poor's. In the future, these bond ratings will continue to allow the City to borrow money at lower interest rates than what we have been able to achieve previously.

Debt service payments on State Revolving Loan funds borrowed from the State of North Carolina for the Northeast Wastewater Treatment Plant will make up 27.0% of all debt service requirements.

Debt service payments on Installment Purchase Agreements will make up 71.95% of all debt service requirements for the City of Hickory in FY2016-2017. Funds borrowed through this means of financing were for the Hickory Metro Convention Center, utilities for Annexation Area II and the Henry River Basin area, upgrades to the radio system, and upgrades to the Hickory-Catawba Wastewater Treatment Plant.

Debt service payments on Intergovernmental Agreements will make up 2.4% of all debt service requirements for FY2016-2017. These agreements are for prior water and sewer projects with Catawba County.

Debt service payments on Notes Payable will make up 0.87% of all debt service requirements for FY2016-2017. This note is a revolving loan funded by the American Recovery and Reinvestment Act for the Cripple Creek Interceptor replacement.

Debt Service



Debt Service		FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY2020-21
State Revolving Loan						
Purpose	S-SRF-T-0900181 Sewer					
Interest Rate	2.48%					
Issued	1/20/2013					
Due	Annually to 2033					
Outstanding	\$14,875,000					
Principal		875,000	875,000	875,000	875,000	875,000
Interest		368,900	347,200	325,500	303,800	282,100
Subtotal		1,243,900	1,222,200	1,200,500	1,178,800	1,157,100
Installment Purchase Agreements						
Purpose	Hky Metro Conv. Center Renovations					
Interest Rate	2.63% Variable Interest					
Issued	2004					
Due	Semi-annually to 2019					
	3.91% 5/05 Locked Interest Rate					
	2.09% Reduced Interest Rate 04/12					
Outstanding	\$770,000					
Principal		220,000	220,000	220,000	110,000	-
Interest		14,944	10,346	5,748	1,150	-
Purpose	Hky Metro Conv. Center					
Interest Rate	4.9% -9.89% Interest					
Issued	1998					
Due	Semi-annually to 2018					
	3.79% Reduced Interest Rate 07/15/03					
	1.79% Reduced Interest Rate 04/2012					
Outstanding	\$707,000					
Principal		282,800	282,800	141,400	-	-
Interest		11,390	6,328	1,266	-	-
Purpose	Hky Metro Conv. Center Parking Deck					
Interest Rate	2.94%					
Issued	10/22/2014					
Due	Semi-annually to 2030					
Outstanding	\$2,700,000					
Principal		200,000	200,000	200,000	200,000	200,000
Interest		77,910	72,030	66,150	60,270	54,390
Purpose	Henry River Basin Sewer					
Interest Rate	3.55%					
Issued	04/05/05					
Due	Semi-annually to 2025					
	3.19% Reduced Interest Rate 03/21/12					
Outstanding	\$4,275,000					
Principal		475,000	475,000	475,000	475,000	475,000
Interest		132,584	117,432	102,279	87,127	71,975
Purpose	Area II Annexation-Water/Sewer					
Interest Rate	4.9%-9.89% Interest					
Issued	12/29/1998					
Due	Semi-annually to 2019					
	3.79% Reduced Interest Rate 07/15/03					
	1.79% Reduced Interest Rate 03/21/12					
Outstanding	\$498,688					
Principal		199,475	199,475	99,738	-	-
Interest		8,034	4,463	893	-	-

Debt Service



Debt Service		FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY2020-21
Purpose	Ridgeview Renovations					
Interest Rate	3.69% Reduced Interest Rate 07-15-03					
Issued	4/02					
Due	Semi-annually to 2017					
Purpose	Stanford Park					
Interest Rate	3.69% Reduced Interest Rate 07-15-03					
Issued	4/02					
Due	Semi-annually to 2017					
	Combined Debts 04/2012					
	1.69% Reduced interest rate 4/2012					
Outstanding	\$385,618					
Principal		385,618	-	-	-	-
Interest		4,888	-	-	-	-
Purpose	Radio System Upgrade					
Interest Rate	3.79%					
Issued	12/10/2008					
Due	Semi-annually to 2019					
Outstanding	\$260,671					
Principal		104,269	104,269	52,134	-	-
Interest		8,892	4,940	988	-	-
Purpose	Maiden Water Line					
Interest Rate	4.46%					
Issued	2002					
Due	Semi-annually to 2021					
	4.19% Reduced Interest Rate 4/16/06					
	2.17% Reduced Interest Rate 04/2012					
Outstanding	\$1,845,225					
Principal		369,045	369,045	369,045	369,045	369,046
Interest		38,039	30,031	22,023	14,014	6,007
Purpose	Hickory-Catawba WWTP Upgrade					
Interest Rate	2.27%					
Issued	02/01/13					
Due	Semi-annually to 2028					
Outstanding	\$8,178,695					
Principal		600,163	613,864	627,877	642,211	656,872
Interest		182,270	168,569	154,555	140,221	125,561
Subtotal		3,315,321	2,878,592	2,539,096	2,099,038	1,958,851
Intergovernmental Agreements						
Catawba County Contracts		8,394				
Subtotal		8,394	-	-	-	-
Notes Payable						
Purpose	Cripple Creek ARRA Loan					
Interest Rate	0%					
Issued	2010					
Due	Annually to 2031					
Outstanding	\$560,802					
Principal		40,057	40,057	40,057	40,057	40,057
Interest		-	-	-	-	-
Subtotal		40,057	40,057	40,057	40,057	40,057
Grand Total		4,607,672	4,140,849	3,779,653	3,317,895	3,156,008

