

CITY OF GASTONIA

EXECUTIVE SUMMARY

The following section consists of the City Manager's budget message, which highlights the major policy changes adopted for the new fiscal year, the Budget Schedule for the Fiscal Year 2010 budget, and an Explanation of the Budget Presentation, which details the layout of the balance of this document.

Presented to the City Council
April 27, 2009

Adopted in Final Form by the City Council
June 2, 2009



BUDGET MESSAGE

April 27, 2009

The Honorable Mayor and City Councilors
City of Gastonia
P.O. Box 1748
Gastonia, North Carolina 28053-1748

Re: Submission of Comprehensive City Budget Proposal for Fiscal-Year 2010

Dear Mayor and City Councilors:

Submitted for your review, and attached herewith, is a complete copy of the Comprehensive City Budget Proposal for Fiscal-Year 2010 (July 1, 2009 through June 30, 2010); including all applicable Funds and balancing Revenues and Expenditures in each case.

In our recent past, we have attempted, with each successive year of Budget development and preparation, to improve upon and refine what was already a highly efficient protocol for budget creation -- while this document builds on that history of effort, it does so in what is arguably the most economically challenging and uncertain environment in collective memory.

This document was first initiated by the Office of the Budget Administrator and from there was forwarded, in component parts, to the individual offices of Department and Division Heads assigned budget preparation responsibility. It then returned to the Budget Administrator for further development, coordination and refinement and was then thoroughly reviewed and evaluated by the Assistant City Managers. Finally, it was re-evaluated in detail, and adjusted where deemed appropriate, by the City Manager. The final product reflects fully the collective efforts of all Senior Management Level Staff, as well as that of the Budget and Financial Services Departments and their staff, and attempts to reflect to the fullest extent possible, the clear and established policy directives and initiatives of the Governing Body as balanced, translated and interpreted by the City Manager.

This Budget was prepared and designed to provide its user with a consistent and measurable point of reference against which to gauge the City's effectiveness in evaluating, delivering, and managing municipal services, programs and functions. Its aims are multi-faceted and multi-focused -- to outline financial priorities; to identify and accurately project resources; to effectively allocate those resources based upon priorities; and to indicate where substantial changes have occurred or are proposed. The Budget is designed not only as a management tool to provide accountability and ultimate control over expenditures, but at the same time to maintain enough flexibility so that periodic amendments or adjustments can be made to incorporate emergencies, changes in circumstances or requirements, innovative programs or altered priorities.

The Fiscal-Year 2010 Budget Proposal, as presented herein, represents a comprehensive fiscal plan for the effective and progressive management of our community over the twelve-month period identified. The Budget is fully balanced, but the “balance”, within the General Fund, remains highly uncertain so long as the Sales Tax Distribution controversy remains unresolved. To that end, the General Fund was purposefully developed with some very austere cost-containment measures along with a number of year-to-year expenditure decreases in order to establish a line-item expense for “Working Capital Reserve.” This “Reserve” is actually designed as a shock-absorber to temper the possible loss of portions of the “Base-Year” Budgeted Revenues attributed to Sales Tax (\$9,988,923.00); and/or to serve as a source of needed contribution to the Health Self Insurance Fund to avoid possible mid-year increases to employees; and/or, in the best of circumstances, to return portions of the deep cuts exacted across a broad range of Subfunds, activities, and/or line-items.

In the preparation of this Budget, this year more than ever, we never allowed our focus to stray from the established and deeply-entrenched desire for transparency, accuracy, and forthrightness. We demanded nothing less than complete accountability for cost effectiveness and fiscal conservatism, not just to deal with the immediacy and brutal severity of the economic downturn of the current Fiscal Year, but beyond as well -- as a component part to a multi-year planning and programming effort.

In candor, this Budget has produced much in the way of frustration as we tried to support the aspirations inherent to the creation of a bolder, more vibrant and sustainable future, yet waged a mostly-losing battle to merely preserve and maintain the continuity of basic programs and service delivery. To the extent these “aspirations” can be supported in this Budget year, they will be carried along on the flow of Federal Economic Stimulus (ARRA) Funds received by the City and further discussed herein.

As insight into the creation and refinement of the Comprehensive Budget Proposed for Fiscal-Year 2010, it should be noted that a **series of identified objectives and priorities** were both focused upon and tentatively achieved -- they were influenced significantly by the economic downturn, and are as follows:

- 1.) We recommended, and Council approved a “Hiring Freeze” well in advance of the Commencement of the FY 2010 Budget Year, knowing that we needed to eliminate a significant number of positions in order to avoid what could have been a serious budget shortfall. The “Freeze” was implemented effective February 2, 2009 for all “non-critical” positions, and, along with the Golf-Course privatization, allowed us to achieve total Personnel Cost Savings of \$930,579 and the elimination of 21, full-time and 9, part-time positions within the FY 2010 Budget compared to FY 2009.
- 2.) In concert with position eliminations, we sought to restructure and/or consolidate a number of organizational relationships and management responsibilities within Subgroups. In so doing we broadened certain “spans of control” without sacrificing overall service delivery.
- 3.) We crafted a Budget which sought to maintain an unreserved ending General Fund Balance of not-less-than 15% of total yearly expenditures in keeping with established policy.

- 4.) We understood that maintaining jobs was more important than guaranteeing wage increases, so we crafted a Budget which contains no step-plan or across-the-board wage increases but which also proposes no lay-offs or unpaid furloughs.
- 5.) We aggressively worked to develop creative Health Care Costs Containment Strategies in an attempt to forestall contribution increases to employees or retirees in a year in which no corresponding wage increases could be afforded.
- 6.) We avoided any requests for additions to the ad valorem property tax rate and instead maintained the FY 2010 requested levy at 53 cents per \$100 and equal to FY 2008 and FY 2009.
- 7.) We avoided any strict or outright eliminations of programs, and fought to actually maintain, to the fullest extent possible, the level of service and program delivery equaling that of the immediate past, across the broad spectrum of City services and functions.
- 8.) We worked to forestall or postpone fee increases wherever possible and whenever same were not attributable to pass-throughs or circumstances beyond our control, or ability to mitigate. For equity purposes we have included a phase-in introduction of commercial solid waste pick-up fees for multi-family properties beginning October 1, 2009, as already approved by City Council. Also, the Electric Fund includes the anticipated new Revenues to be generated by the wholesale power-cost pass-through increase adopted by Council and set to begin July 1, 2009. Finally, the Water-Sewer Fund contemplates a January 1, 2010 commencement of an approximate 3.5% rate increase attributable to the soon-to-be prepared Rate Restructuring. This increase, which has not yet been discussed or adopted, would, if rejected or deferred, require an additional \$322,475.00 in cuts to the Water-Sewer Fund Expenditures in order to achieve balance.
- 9.) We avoided Budgeting the Appropriation of Unreserved Fund Balance for Operating Expenditures and, with the budgeted General Fund "Working Capital Reserve", hope to ultimately achieve this Goal even if the Sales Tax Distribution dispute with the County is resolved in a manner less than fully favorable to the City's interpretation of the Interlocal Agreement, or to the City's current position relative to a graduated "phase-out" of the hold-harmless provisions of the agreement.

As you further review this budget proposal in detail, you should come to see how these themes of austerity and sacrifice are pervasive -- yet through diligent planning and collective fiscal discipline, the end result is not one of abject gloom so much as it is a tribute to adaptation. An opportunity, in the most trying of times, to keep the "Promise" in "Great Promise".

In addition, I would like to draw your attention to the following budget details and/or explanations, which I feel are worthy of further comment:

GENERAL GOVERNMENT, ADMINISTRATION, CITY-WIDE OVERVIEW:

The Fiscal-Year 2010 Budget (City-wide for all funds) provides for 905 total full-time positions. This represents a real decrease of 21 fewer full-time positions than was budgeted for in FY 2009. Eight of these positions were eliminated when we privatized golf-course operations, and the remaining 13 have come as a result of the “Hiring Freeze” and/or job consolidation following position attrition. We have also managed to eliminate 9, additional part-time positions versus the FY 2009 Budget, and overall personnel cost savings total some \$930,579. Travel and training expenses have been reduced throughout the budget, totaling \$102,568, and no provisions exist anywhere within this budget for any compensation increases to any employees except for the \$286,161 total cost attributed to the annual Christmas bonus. The fact that the City will provide for no step-plan improvements for Public Safety Employees, nor wage adjustments for all other general employees, will save the City \$1,452,697, if one were to imagine last year’s wage adjustments as the model going forward. This budget does include the \$71,429 in yearly contract payments to the U.S. National Whitewater Center in keeping with the City’s contract, which is representative of year “three” of the seven-year total commitment. Also, within the Mayor/Council budget is \$29,300 for various professional services and studies, including \$7,500 for contract assistance from Jim Palermo on Downtown issues. \$15,000 is provided for the July 4th fireworks display, and the Randall Funding and Development contract for grant assistance will account for \$3,600 in monthly base costs and an additional \$12,500 in expected grant writing assistance efforts. Also, we are funding \$12,000 toward the reimbursement of employee costs incurred in the pursuit of higher education, which is a \$3,000 decrease over last year; and, within the Human Resources Department budget, is \$75,000 for expected outside legal services associated with the Police Pension Lawsuit as well as an additional \$30,000 for other outside legal costs associated with other lawsuits/litigation, either known or expected. Also, one of the few positive notes of this budget proposal versus its counterpart for FY 2009, is that we have been able to decrease total fuel costs throughout the City by approximately 24%, or \$397,311 in the aggregate. Fuel costs are expected to remain far less volatile throughout the upcoming fiscal-year.

PUBLIC SAFETY:

- **Police:** In spite of the “Hiring Freeze” on non-critical positions throughout the City, this budget does not contemplate any decreases to Police Department staffing, and in fact maintains the City’s allocated force of sworn police officers at 169, with an additional 34 civilian employees also retained. Overall, fuel costs have decreased and ammunition costs have better stabilized. Apart from the actual Police Department budget, the overall budget provides for the replacement of 10 police cars -- 9 black-and-white patrol cars, and one unmarked unit (this is approximately one-half the total of a typical budget year given the negative effects of the economy). Finally, because of the \$1B. in nationwide Federal stimulus monies assigned to the Community Oriented Policing Grant program (COPS), the City has applied for a grant sufficient to add 13 new, full-time patrol officers to the force with 100% funding over a three-year time-frame. If successful, these officers would be assigned (4) to each of the three districts and (1) dedicated to Downtown. The nearly \$1.8 M. value to this grant would then require the City to transition to full funding of the officers beginning with the FY 2013 at an approximate, yearly added cost of \$603,000. The City has already received \$312,994 in Justice Assistance Grant proceeds, through the Federal stimulus initiative, which would allow us to provide for much of the equipment

and many of the vehicles necessary to provide for these new officer additions. There would be an approximate \$186,000 additional cost for vehicles should the City be fully successful in achieving the 13 new, grant-funded positions.

- **Fire Department:** For the Fire Department, this budget also does not contemplate any decreases to existing staffing or personnel. Also, we have provided for the purchase of a single new fire engine to be assigned to Station #5 at the total cost of \$401,006. As for possible grants, we are also very aggressively seeking Federal Stimulus Funds to assist the Fire Department. Specifically, we are seeking approximately \$2M. in new funding for the construction of an additional, southeast fire station, as well as the full, three-year funding of not less than 12, nor-greater-than 15, additional full-time firefighters to supplement existing staffing and/or man the proposed new station. Much like the Police Department, however, should the City be successful with this grant program, we would begin seeing new costs associated with the additional personnel of between \$545,000 and \$681,000 per-year, beginning with FY 2013 depending upon whether the final decision was to seek 12 or 15 new firefighters.

HEALTH INSURANCE:

Over the past several years, as the City has transitioned to a self-funded program for the provision of employee health and dental insurance care coverage, and away from a premium-based insurance provider, we have witnessed unrelenting health care cost increases disproportionately higher than the rate of inflation. At the same time, because of our transition and due to our unrelenting efforts at cost containment strategies, we have managed to maintain program coverage with little in the way of cost increases to covered employees or significant decreases to program coverage. This budget was more aggressive than ever in specific, cost-containment strategies resulting in not-less-than \$391,903 in actual projected savings based on plan changes from the FY 2009 program. We have eliminated the aggregate stop-loss premium; adjusted upward the specific stop-loss premium in order to achieve savings; adjusted prescription drug co-pays for non-generics; engaged in a medical recovery audit program to achieve savings from identified claims payment mistakes; effectively made health risk assessments mandatory, short of increased contribution costs to employees; and added, for the first time, an Employee Assistance Program and on-site clinic to be used for employees for routine matters, scheduled during working hours. A clinic visit by employees will require only a \$3 co-pay, as opposed to the upwardly-adjusted co-pay of \$20 for normal outside doctor office visits. Further, in using the on-site clinic, employees will not be required to take either sick leave or vacation time to fulfill their appointments. While all of these adjustments and cost-containment strategies are both designed and hoped to forestall actual requirements for City or employee contribution increases during this fiscal-year, our recent monthly experience would suggest that some additional contributions will be required as a mid-year adjustment. To that end, our budgeted, “Working Capital Reserve” could come to serve these needs well.

MUNICIPAL SERVICES DISTRICT:

Since the City is no longer contractually obligated to remit the Municipal Service District tax revenues over to the Gastonia Downtown Development Corporation for expenditure on Downtown Revitalization efforts, we are now budgeting Municipal Service District revenues and

expenditures among City funds. To that end, the City Council has already adopted the FY 2010 MSD budget which balances revenues and expenditures at a total \$118,210. Revenues are generated exclusively from the service district tax levy, while expenditures comprise \$76,600 for I.D.E.A.L Incentive Program subsidies for new business rent and upfit; \$32,000 for event costs, consisting primarily of the Downtown Concert Series; \$6,000 for in-house directed ads and promotions; and \$3,610 for joint promotional advertising grants for the Downtown. Since, we have added \$2,473 in expenses to pay for electricity at the Pavilion and \$2,473 in additional revenue for the rental of the pavilion and the sell of beer and wine at events. The revised budget is now \$120,683. In this first year, we have not budgeted any funding toward actual physical capital assets or improvements, but rather have focused on programs to incentivize or improve the general business climate Downtown or for specific start-up businesses. Unlike the GDDC program, the City is using no funds for ongoing salary or administrative expenses, nor do we intend to do so with future budget year allocations.

CENTER-CITY REVITALIZATION:

During the course of Fiscal-Year 2009, the strategic plan for Center-City Revitalization evolved to include as its cornerstone, the “B.I.G. S.P.L.A.S.H” Project, with the City potentially committing up to \$12 M. over time to support such catalyst redevelopment plan. Included within the FY 2010 Downtown Capital Projects budget for this project plan are revenues totally \$1,375,000; coming as a contribution of \$1 M. from designated and appropriated fund balance of the Hotel Occupancy Tax revenues from the Tourism Development Authority; \$275,000 from the Infrastructure Rehabilitation Fund; \$15,000 in interest earnings and transfers of \$25,000 from the General Fund, and \$60,000 from the Electric Fund. While much of these funds are earmarked for architectural design, engineering, and site preparation work for “B.I.G. S.P.L.A.S.H”, no actual obligation of these funds will occur until or unless the remaining project financing is first committed. Until that time, project funds will remain budgeted, but unallocated, with interest earnings accruing. Several other projects, first-initiated during FY 2009, will also continue to move forward into and through FY 2010. These include the South Street Pedestrian Plaza Project -- scheduled for completion by September of 2009 and funded through contributions of \$250,000 from the Infrastructure Rehabilitation Fund; \$100,000 in 2/3rds G.O. Bond proceeds; and \$250,000 in FY 2009 set-aside Unfunded Projects Fund proceeds. Also, the Marietta Street Streetscape Project, likely to be completed by fall, 2009, will see its full, \$850,000 funding requirement come from Federal Stimulus Grant monies and then be further extended and enhanced by \$300,000 in 2009 Unfunded Projects Fund proceeds to develop mast-arm improvements and other signalization upgrades at the intersection of Marietta and Franklin Boulevard. Finally, the temporary Park at Main should near completion by the commencement of the fiscal-year at a \$38,076 total cost; while a still-additional \$300,000 in Downtown street enhancement work will be accomplished through the reallocation of 2/3rds G.O.Bond proceeds that had otherwise been obligated to the Marietta Street project, but became freed-up upon stimulus grant award for the full funding of that project. In summary, while the economic downturn will generally constrain many activities throughout FY 2010, it will not thwart our continuing efforts at substantive Center-City Revitalization due to the fact that we have creatively and responsibly earmarked non-operational funding to do so; and since we have had success in acquiring grant funding.

NEIGHBORHOOD AND COMMUNITY DEVELOPMENT:

Shortly following the commencement of FY 2010, we expect to have moved all of those Neighborhood and Community Development Department staff which have occupied the Webb Theater Building and the leased space in the Standard Building, out of those spaces and into surplus areas freed-up within the Garland Center. This effort is being pursued for two reasons; the first being, that we will then be able to pursue the resale of the Webb Theater to the private sector for redevelopment as a theater/entertainment venue and further revitalization catalyst for Center-City; and, because it will also allow us to better pursue additional consolidation efforts of staffing within the areas of Planning, Building, Zoning, Neighborhood and Community Development, and General Development Services. The expectation is, in fact, that during the course of FY 2010, a greater streamlining and consolidation of these functions and services will yet be proposed for implementation. Also in FY 2010, the Neighborhood and Community Development Department, in addition to their normal program responsibilities as supported by a generally-status-quo budget of Federal CDBG monies, HOME funds, and General Fund appropriations, will be charged with utilizing \$171,503 in one-time CDBG entitlement funds (provided as a result of the Federal Stimulus Program) to develop new, low-to-moderate income housing opportunities within a target area of the community; and, will also administer the “Neighborhood Stabilization Program” grant funding (\$2,625,000 in competitively-awarded Federal Stimulus Funding) in order to fulfill the committed project plans for the redevelopment of the historic Craig and Wilson Building into 14, for-sale owner-occupied condo units along with the acquisition and redevelopment of a number of foreclosed properties throughout targeted areas of the community. Again, even in the face of the economic downturn, we expect to achieve a number of exciting, vibrant new initiatives during the course of the fiscal-year as a result of our efforts to seek out and leverage alternative funding sources.

UNFUNDED PROJECTS LIST:

As common past practice, with each year’s budget creation, we typically evaluate a number of valid, high-priority capital projects which the City simply cannot fund given the identified resources at the time, and then, in turn, create an “Unfunded Projects List” identifying those next-highest-priority capital projects which we might likely fund in the event of new increments of revenues otherwise unallocated and above our policy-guided minimum Fund Balance Reserve. For the Fiscal-Year 2010 budget, we have chosen not to create such a list given the severity of the economic downturn and its overall affects on budget preparation decisions, particularly in that we were forced to implement both hiring and wage “freezes” along with some tough deferrals of capital/equipment expenditures. In effect, we didn’t want to create an expectation, through the simple creation of an “Unfunded Projects List”, that there could be any chance we would wind up funding items on such a list when, in fact, should our own fiscal discipline or pure good fortune find us completing the fiscal-year with an unallocated, year-to-year surplus, then we would use such “surplus” to return portions of the operational requirements cut or deferred as a result of the austerity measures.

STREET REPAIRS AND RESURFACING:

For FY 2010, the projected receipt of Powell Bill revenues from the State will experience a real decline of \$241,231 (11%) when compared to FY 2009. In turn, the FY 2009 receipts were

\$218,482 less than those from FY 2008. Obviously, this is not a good trend and points out the problem we have in trying to achieve any meaningful street resurfacing within what is clearly an underfunded program. Because of the dwindling Powell Bill revenues, the FY 2010 budget only contains \$128,769 in funds earmarked for resurfacing. This contrasts to FY 2009 when the City budgeted \$437,120 for street resurfacing, and will have extended that by an additional \$200,000 in Unfunded Project List resurfacing monies as well. For FY 2008, the budget included \$220,718 in initial street resurfacing work and then later added \$115,000 in Unfunded Project List funding. Unfortunately, without a fundamental overhaul of the State system for generating revenues to support street repair and maintenance, or without some entirely new revenue stream developed at the local level, we will continue to have little means to adequately address the ongoing requirements for road repair and resurfacing.

FUNDING FOR VEHICLES AND EQUIPMENT:

The City has traditionally financed its purchases of vehicles, equipment, and computer hardware and software through an annual loan spread over a 59-month period, which serves to level the overall economic impact of equipment needs purchasing from year-to-year. In the FY 2010 budget, we are proposing the funding of a combined total replacement of \$2,185,192 in vehicles, rolling stock, and computer and radio equipment. This represents a substantial reduction (\$1,128,894) from the five-year average replacement cost totals (\$3,314,086). Included among the purchases contemplated is a fire engine replacement for Station #5 (\$401,006); (10) new, replacement police sedans; a vac-sweeper for Public Works (\$166,006); a dump truck/leaf-loader for General Services (\$71,006); a backhoe and crane truck for Water/Sewer (\$146,006 combined); and a mini-excavator for the Electric Department (\$71,006). In the aggregate, the total cost for replacement of vehicles and rolling stock is \$1,723,192. Within the area of Technology Services, we are budgeting \$462,000 in combined purchases for computer hardware and software as well as equipment associated with radio, telephone and mobile data systems. Specifically, we have budgeted \$100,000 for the replacement of 30 to 40 desktop computers and 10 to 15 laptop computers, each with Vista operating systems. Also, there is \$264,000 budgeted for the replacement of (80), 800-megahertz radios for the Police Department, and \$98,000 to purchase software which will connect 142 police vehicles and 16 fire vehicles for mobile data transmission over radio. Because of the nearly-five-year debt amortization period for equipment financing, our \$1.1 M. decrease in yearly expenditures will have no impact on the FY 2010 budget. It will, however, begin showing real debt service savings with FY 2011 and beyond.

AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA):

The landmark \$787 Billion Federal Stimulus Package spearheaded by the Obama Administration, and adopted by Congress in February, 2009, has already had, and will continue to have a fundamental impact on the finances for the City of Gastonia, including the Fiscal-Year 2010 budget and beyond. As a staff, we have made it a clearly-stated goal to be as aggressive and creative as possible in seeking out, soliciting, and applying for grant funding under all eligible agency programs funded through the Stimulus package. Many of these individual requests and/or awards, or their budgetary impacts, are detailed throughout this budget message, but in this single, consolidated reference I wanted to provide a listing of the full spectrum of requests and awards together. That listing is as follows:

AGENCY	PROGRAM	PROJECT DESCRIPTION	REQUEST	AWARD
HUD	CDBG	Entitlement Allocation Low-to-Mod. Housing Improvements	\$0.00	\$171,503
HUD	Neighborhood Stabilization Fund (Round 1)	14, For-Sale Condos, Craig & Wilson Bldg, plus Redev. of Foreclosures	\$5,000,000	\$2,625,000
HUD	Neighborhood Stabilization Fund (Round 2)	TBD	TBD	
NCDOT	Pedestrian Enhancement	Marietta Street-Scaping; Long-to-Franklin	\$850,000	\$850,000
DOJ	Justice Assist. Grant Non-Competitive	Police Vehicle & Equipment	\$312,994	\$312,994
DOE	Energ. Effic. & Cons. Block Grant	Energy Efficiency Measures City-Wide	\$0.00	\$705,700
USDOT	Transit Capital Assistance	Hybrid Diesel-Electric Buses	\$2,083,725	\$2,083,725
FEMA-USDHS	Staffing for Fire & Emerg. Response	Hire 12-15 New Firefighters	\$1,760,850	
FEMA-USDHS	Fire Station Construction Grants	Construct New Fire Station in SE Gastonia	\$2,000,000	
DOJ	COPS Hiring Grant	Hire 13 New Officers	\$1,688,306	
DOJ	Justice Assist. Grant Competitive	Forensic Upgrades & Crime Analysis	TBD	
DOJ	Smart Grid Investment	Electric Fixed Network Auto Metering Info (AMI)	\$5,000,000	
Dept. of Commerce FCC	Broadband Technology Opportunities	Broadband Fiber Loop Expansion Project	\$5,000,000	
Dept. of Commerce EDA	Economic Assistance	Gaston Mall Connector Road	\$1,500,000	

AGENCY	PROGRAM	PROJECT DESCRIPTION	REQUEST	AWARD
NCDENR	Clean Water Fund	C.C.WWTP Sludge Pumping Improvements	\$490,000	
NCDENR	Clean Water Fund	Pump Station Inflow & Vault	\$300,000	
NCDENR	Clean Water Fund	L.C. WWTP Online Nutrient Analyzer	\$650,000	
NCDENR	Clean Water Fund	C.C. WWTP Backup Bar Screen	\$200,000	
NCDENR	Clean Water Fund	L.C. WWTP Electrical	\$1,500,000	
NCDENR	Clean Water Fund	L.C. WWTP Aeration & Oxygen Control	\$500,000	
NCDENR	Drinking Water Fund	Water Plant - Structural & Equipment	\$1,300,000	
NCDENR	Drinking Water Fund	Bessemer City Rd. Booster Pump	\$1,000,000	
NCDENR	Drinking Water Fund	Fairview Interconnect to Tech Park 16" Water Line	\$600,000	

GOLF COURSE:

For the first time in many decades, we have produced a budget which requires no subsidy of any kind to the Golf Course. In fact, you will no longer find a Fund budget for the Golf Course within this document. Within the General Fund, you will note a line item for Golf Course expenditures totaling \$45,946. Most of this total is for debt service payments on equipment assigned to the Golf Course as well as the golf cart lease costs, and all of these totals are reimbursed to the City by the private Golf Course operator. The remaining, approximate \$4,400 in Golf Course expenditures represent payments for retiree pension and health care benefits as specifically attached to those City employee who were assigned to the Golf Course Fund. In contract, however, the General Fund also continues to receive budgeted revenues of \$149,190 from cell tower lease payments associated with the cell tower located on the Golf Course. These same revenues were always assigned to the Golf Course Fund in past years when large subsidies were required. As a result, the net affect beginning with FY 2010 is that budgetary impacts associated with the Golf Course now have a positive impact on the overall City budget.

SCHIELE MUSEUM:

For FY 2010, total budgeted City expenditures for the Schiele Museum (not counting those funded and accounted for by the Board) equal \$1,998,682. This amount is offset by budgeted revenues of

\$403,000, resulting in a total yearly, General Fund subsidy of \$1,595,682. In contrast to FY 2009, we see that last year's expenditures totaled \$2,120,212; revenues were \$455,258; and, the total subsidy amounted to \$1,664,954. As you can see, we have decreased the subsidy, in real terms, by over \$69,000 year-to-year. This year's budget eliminates a single, full-time position from the Museum Budget -- that of Assistant Director for Interpretation.

ELECTRIC DEPARTMENT:

As was recently discussed and approved by City Council action, a wholesale "pass-through" of across-the-board rate increases will be imposed, effective July 1, 2009, in order to provide for the budgeted \$2,303,019 increase in wholesale purchased power costs, the City will incur as a result of a 4.3% rate hike from ElectriCities. The magnitude of this increase became more pronounced than had been expected last year due to the dramatic economic downturn; the lack of load growth; the substantially increased cost of repair work necessary to ElectriCities' nuclear plant; and, the decrease in interest earnings for ElectriCities pooled investment funds. All items beyond the City's control, yet not beyond the negative impact to our citizens and businesses as a result. For the Fiscal-Year 2010, the Electric Fund will provide for \$1,480,442 in new capital improvements; contribute \$60,000 to Center-City Revitalization; fund \$40,000 in new G.E.A.R. program subsidies; and provide an additional \$15,000 toward tree plantings to be accomplished by Keep Gastonia Beautiful. This budget also funds expected additions to Fund Balance in the amount of \$1,156,779 which, if accomplished by year-end, will then bring the total unreserved Fund Balance to approximately 5.86% of yearly budgeted expenditures -- still well below the target minimum, yet moving in the right direction.

WATER/SEWER:

The lengthy drought that the City has endured over the last two-years has resulted in an equally-long period of mandatory water-use restrictions and a corresponding downward trend in Water/Sewer revenues for the City. Now combined with an economic downturn, this has made balancing the Water/Sewer Fund increasingly more difficult. The good news is that the drought has finally concluded and mandatory water-use restrictions have ended, but the economic downturn continues to take its toll. With those facts in mind, this budget does contemplate an approximate 3.5% rate increase beginning January 1, 2010 as tied to the implementation of the expected new rate restructuring plan. This plan would primarily alter the rate structure by relying more on a readiness-to-serve charge, and less on the volumetric calculation, while also eliminating the declining-block rate concept to one that, for residential users, becomes inclining and, for businesses (because of economic development reasons) is constant. If the decision is made not to impose any rate increase during the fiscal-year as proposed, we will need to correspondingly find \$322,475 in cuts to this budget in order to effectuate the State-mandated "balance". Other features of note within the FY 2010 Budget include the elimination of three, full-time positions including a meter shop crew chief within Customer Services; a motor equipment operator in Water Line Maintenance; and a plant operator position within Wastewater Treatment. Also, we have earmarked \$1,780,000 for capital improvement projects and have set aside \$913,970 in debt service reserve monies as proper and conservative planning for future, needed capital investments. The expected beginning operational fund balance for the Water/Sewer Fund is \$9,647,289. This budget actually contemplates using \$1 M. of that fund balance toward capital improvements which would result in an expected ending fund balance of \$8,647,289. Should this hold true, and

because it remains fairly healthy for this fund, it may allow us to defer the expected rate increase to the FY 2011. In any event, the rate restructuring is becoming fundamentally more and more necessary, and deferral beyond July 1, 2010 would not be prudent. Particularly in light of the fact that there still remains some Electric “free-book” within this Fund that we cannot afford to yet eliminate and, the Payment-in-lieu-of-Taxes owed to the General Fund remains undercalculated in comparison to industry standards, but the accurate calculation is also unaffordable at this time. Some good news could yet occur in the form of grant awards through the American Recovery and Reinvestment Act Programs. If you refer to the actual lists of requests devoted to Water/Sewer, you will note that there are (9) individual capital projects (6), associated with wastewater treatment and the sewer collection system, and (3), associated with water distribution and treatment which, in combination, total \$5,640,000. Any of these awards could contribute directly to the Fund’s bottom line and serve to lessen the otherwise-increasing pressure on upward rate adjustments.

STORMWATER FUND:

As first-imposed in 2003, the stormwater fees assessed against all classes of property throughout the City represent the Stormwater Fund’s sole source of revenues. Since there has been no adjustment to these fees in the 6 succeeding years following imposition, inflationary pressures have eroded the City’s overall ability to achieve capital improvement efforts within the Fund. As a result, this year’s budget proposal includes only \$308,097 in total funded capital improvement expenditures, of which, \$15,000 is then transferred to the Airport Fund to act as a local “grants match” for stormwater improvements funded through an anticipated FAA grant award. We have also proposed funding \$73,274 in small, (not-less-than \$5,000) non-capital improvement projects. These expenditures for improvement projects continue the downward trend from previous years largely as a result of the fact that the growth in revenues from new accounts/users is not keeping up with the general inflationary effect on expenditures. As is annually the case, however, to the extent that the audit would reveal lesser expenditures than budgeted for the FY 2009, any such surpluses can be carried forward to this budget year as possible additions to our otherwise-anticipated capital expenditures.

TRANSIT:

Within the Transit Fund for FY 2010, we have budgeted total expenditures of \$2,133,268. This corresponds to total revenues established at \$1,649,525, leaving the City to subsidize a total \$483,743 from the General Fund. For FY 2009, a similar review indicates total expenditures of \$2,429,428, and total revenues of \$1,915,396 -- resulting in a total General Fund subsidy of \$514,032. This actually doesn’t tell the full story, however, because for FY 2009, we actually budgeted \$212,918 from Appropriated Fund Balance (a one-time opportunity) which, in the absence thereof, would have made a substantially higher subsidy. The Transit budget as produced, does not provide for any additional funding for the CATS 85X intercity service to Charlotte, nor does it yet take into account any possible effects of purchasing several new hybrid/electric buses with ARRA Stimulus Grant Funding. If the buses are actually purchased and delivered during the course of the fiscal-year, their expected fuel efficiency could impact overall operational expenditures.

COMPREHENSIVE SOLID WASTE MANAGEMENT:

This budget proposal still provides for the Solid Waste Management functions on a largely, “status quo” basis, with two exceptions which are part of the hoped-for transition to a much-evolved enterprise fund system of equitable, fee-based services; and away from an inflexible, property-tax-based subcomponent of the General Fund. The first exception is that we have now included the anticipated revenue increase (\$128,663) to be derived from phased-in introduction of monthly commercial fees charged to those multi-family housing developments requiring collection via dumpsters. The second exception shows the creation of a new, separate fund to account for the State-imposed collection of solid waste disposal taxes (full-year total of \$54,636 in new revenues) which will correspondingly be budgeted to fund an equal total in “Working Capital Reserve”. This Reserve will then go toward funding portions of the purchase of roll-out recycling carts as we move to transition to a mandatory, single-stream, curbside program where recycling is free and refuse pickup is fee-based on a multi-tiered schedule based on actual usage. As we have discussed, and will continue to research and pursue throughout the upcoming Fiscal-Year, our current approach to Solid Waste Management is neither economically or environmentally feasible. Our plan remains to offer and justify methods to incentivize recycling, reduce waste, and at the same time tie our revenue stream to a more controllable and predictable source which, in turn, can be tied to actual service usage and behaviors.

LOOKING TO THE FUTURE:

While the upcoming Fiscal-Year can be categorized as one dominated by fiscal austerity and sacrifice, we cannot lose sight of the fact that a great many improvements and projects will be completed as a result of either past local funding decisions, or because of Federal funds injected through the ARRA Stimulus Grant Awards. Our Center-City Revitalization will see some of the most dramatic effects; and, if the current optimistic understanding of the financing package hold true, then the Loray Mill Redevelopment Project will be moving forward as well. Also, we hope to finalize an implementation plan for the comprehensive restructuring of Solid Waste Management services which could be started with the commencement of FY 2011. Further, we must continue to work toward a long-term solution to the effects of sales tax receipt distribution and the City/County Interlocal Agreement. Such a solution is likely only accomplished within the hands of the General Assembly and will take our ongoing efforts, along with other colleague municipalities throughout the State.

Also, we may further find ourselves beginning the process of critically looking at the potential for a major new street funding bond issue dealing with both the need for added capacity as well as reconstruction and resurfacing. There is also likely to be policy decisions made on how to fund a series of major water and sewer capital improvements, not the least of which is planning for the replacement of our aging water treatment plant, and doing so in light of a number of possible agreements for service provision or extension agreements to neighboring municipalities. We will also not lessen our now-aggressive look to consolidate services and programs wherever possible and economically feasible -- this means not only within our internal organization, but externally,

in the form of the priority pursuit of the consolidation of water and sewer services with multiple other jurisdictions where those efforts can result in positive economic impacts to all participating.

Some flexibility must always be maintained within any quality budgeting process in order to be able to respond quickly and decisively in the face of economic opportunity that can positively impact the community. I think this budget allows for that flexibility while still responding fully and cautiously to an economic climate which has caused much deeper and more traumatic disruption to many other levels and jurisdictions of government, whose previous planning showed less in the way of discipline when compared to that of Gastonia.

To conclude, it is my sincere belief that this budget represents the optimal possible financial alternatives available to the City of Gastonia at this time. It is as creative and proactive as one can hope given the current economic uncertainty, yet it remains responsible and entirely within the City's financial ability to fund. I would like to take this opportunity to sincerely thank all of the City Department and Division Heads, as well as their individual staff members, who have worked diligently for so many hours in developing and producing this comprehensive, thorough, attractive and professional document. My gratitude goes out as well to Budget Administrator Melody Usery, and her staff, whose tireless efforts have proven invaluable to me and to the overall production of this high-quality product.

Respectfully Submitted,

James M. Palenick

James M. Palenick
City Manager

ADDENDUM TO BUDGET MESSAGE
FY 2009-2010

August 10, 2009

Final approval of the FY 2009-2010 Comprehensive City Budget came at a time when two unresolved issues still posed the possibility of significant impact to the City's General Fund. Specifically, negotiations with Gaston County over a new Sales Tax distribution and "Hold-Harmless" Agreement were pending finalization; and, the North Carolina General Assembly was engaged in protracted efforts to balance a State budget facing an estimated \$4 billion revenue shortfall. Each of these matters is now resolved, and as a result, certain changes made to the FY 2009-2010 budget have, we believe, appropriately countered the effects resulting from the final outcomes associated with the new Sales Tax Agreement with the County, and the approved, North Carolina State budget for FY 2009-2010.

IN ORDER OF ACTION:

First, following the City Council's final budget work session, the City received updated valuation reports from the Gaston County Tax Department which, based upon our calculations using those reports, will translate into the City's General Fund receiving a revenue increase of \$154,064. That total, in turn, is balanced against added expenditures within the Fire Department of \$61,066 for salary and wages associated with the implementation of the Battalion Chief organizational restructuring, as well as \$2,500 for radio support consistent therewith. The final \$90,498 was then earmarked to "Working Capital Reserve" for possible additional unforeseen contingencies.

Minor amendments were also made to both the Electric and Water/Sewer Utility Funds in order to account for the increases in Payment-In-Lieu-of Franchise Taxes owed by each to the General Fund as a result of the new (increased) total City-wide taxable valuations, upon which the payment formulas are based. The Electric Fund (\$10,807) is using appropriated fund balance to cover the increase, while the Water/Sewer Fund (\$19,024) will use Working Capital Reserve. Amendments were made as well to the Community Development Block Grant Budget, balancing added revenues and expenditures at \$100,037, to account for certain Federal Stimulus (ARRA) Funds heretofore unrecognized within the earlier-approved budget.

Then, however, following approval of the Sales Tax Agreement with the County, the \$1,100,100, "Working Capital Reserve" which had been provided for as an expenditure line item within the General Fund in consideration of possible major decreases in sales tax revenue was eliminated in its entirety as a result of the new sales tax agreement with the County. In turn, that amendment was balanced against a series of revenue decreases and expenditure increases which combined equaled the same total. Specifically, those consisted of a \$100,100 revenue decrease to the expected total of cablevision franchise receipts, based on current projections; a \$300,000 decrease to the total expected sales tax receipts (State and County combined, based on the new

agreement); and expenditure increases of \$100,000 for a Fuel Reserve, to allow for potential unforeseen increases through the budget year; and a transfer of \$600,000 from the General Fund to the Health Self-Insurance Fund, to keep that fund solvent and avoid the immediate need for premium increases to employees.

Finally, the State General Assembly's action to divert 67% of alcohol tax distributions to municipalities, as part of the approved FY 2009-2010 State budget, will further mean that the City must decrease the General Fund line-item for such revenues by \$240,841. No corresponding budget amendment has yet occurred for this impact, but the distinct potential exists that, given even the most modest economic recovery through the FY 2009-2010 period, we are likely not to experience the budgeted, \$300,000 decrease to sales tax revenues and could largely make up the alcoholic beverage tax shortfall in that manner.

CHANGES TO FY 2009-2010 PROPOSED BUDGET - 1

Description	Account #	Increase/ (Decrease)	New Total
REVENUES			
<i>General Fund</i>			
Ad Valorem Taxes Current Year	10-460-301.01	124,233	\$ 26,183,379.00
Payment in Lieu of Franchise Taxes - WS	10-440-337.01	19,024	\$ 1,140,763.00
Payment in Lieu of Franchise Taxes - Electric	10-440-337.02	10,807	\$ 395,709.00
Total Changes in Revenues		154,064	
EXPENDITURES			
<i>General Fund</i>			
Fire/Operations - Salary & Wages	10-532-2.00	61,066	\$ 5,868,557.00
Fire/Operations - Radio Support (Gaston Co.)	10-532-21.02	2,500	\$ 15,379.00
Working Capital Reserve	10-660-89.00	90,498	\$ 1,112,606.00
Total Changes in Expenditures		154,064	
Net Change to the Proposed Budget for the General Fund			-

Description	Account #	Increase/ (Decrease)	New Total
REVENUES			
<i>Electric Fund</i>			
Fund Balance Appropriated	31-660-399.00	10,807	\$ (1,145,972.00)
Total Changes in Revenues		10,807	
EXPENDITURES			
<i>Water Sewer & Electric Funds</i>			
Payment in Lieu of Franchise Taxes - WS	30-660-89.05	19,024	\$ 1,140,763.00
Payment in Lieu of Franchise Taxes - Electric	31-660-89.05	10,807	\$ 395,709.00
Water & Sewer Working Capital Reserve	30-660-89.00	(19,024)	\$ 32,976.00
Total Changes in Expenditures		10,807	
Net Change to the Proposed Budget for the WS & Electric Funds			-

CHANGES TO FY 2009-2010 PROPOSED BUDGET - 1

Description	Account #	Increase/ (Decrease)	New Total
REVENUES			
Community Development Block Grant	21-720-349.13	8,769 \$	640,307.00
Federal HOME Program	24-719-349.10	91,268 \$	912,715.00
Total Changes in Revenues		<u>100,037</u>	
EXPENDITURES			
CDBG - Contracted Services	21-720-45.00	8,769 \$	62,030.00
HOME Program - Contracted Services	24-719-45.00	91,268 \$	391,989.00
Total Changes in Expenditures		<u>100,037</u>	
Net Change to the Proposed Budget for the Community Development Funds		<u><u>-</u></u>	

CHANGES TO FY 2009-2010 PROPOSED BUDGET - 2

Description	Account #	Increase/ (Decrease)	New Total
REVENUES			
<i>General Fund</i>			
Cablevision	10-410-332.00	(100,100)	\$ -
Sales Tax	10-440-345.00	(300,000)	\$ 9,688,922.00
Total Changes in Revenues		(400,100)	
EXPENDITURES			
<i>General Fund</i>			
City Manager - Fuel Reserve	10-420-31.00	100,000	\$ 100,000.00
Transfer to Health Self-Insurance Fund	10-990-91.68	600,000	\$ 15,379.00
Working Capital Reserve	10-660-89.00	(1,100,100)	\$ 12,506.00
Total Changes in Expenditures		(400,100)	
Net Change to the Proposed Budget for the General Fund			-

Description	Account #	Increase/ (Decrease)	New Total
REVENUES			
<i>Health Self-Insurance</i>			
Transfer from General Fund	68-990-397.10	600,000	\$ 600,000.00
Total Changes in Revenues		600,000	
EXPENDITURES			
<i>Health Self-Insurance</i>			
Administration - Working Capital Reserve	68-720-89.00	600,000	\$ 600,000.00
Total Changes in Expenditures		600,000	
Net Change to the Proposed Budget for the Health Self-Insurance Fund			-



BUDGET SCHEDULE - FISCAL YEAR 2009-2010

January 23, 2009	Initial equipment requests due to the Budget Office.
January 16, 2009	Preliminary revenue and expenditure budget worksheets and information sent to the Departments.
January 26 & 27, 2009	Council Work sessions (Goals & Objectives).
February 2, 2009	Preliminary revenue projections due.
February 20, 2009	Expenditure worksheets, new program initiatives and capital project worksheets due. Comments can be entered once expenditure worksheets have been turned in to the Budget Office.
March 2, 2009	All comments should be entered. The Departments can make no further changes unless approved by the Budget Office.
March 6, 2009	Mission Statements/Goals & Objectives/Accomplishments due. Analysis and reports by the Budget Office.
March 16-March 23, 2009	Review of departmental requests by City Manager, Assistant City Managers, Department Heads and Budget Department staff. Reviews will be scheduled daily. Department Heads should try to leave their schedules open for these two weeks.
April 13, 2009	Council work session: Budget Outlook.
April 17, 2009	Budget should be finalized and balanced based on recommendations of the City Manager.
April 24, 2009	Proposed budget should be printed and notice of public hearing completed.
April 27, 2009	Budget presented to City Council and press.
May 5, 2009	Public Hearing on the Budget and Budget discussion at the Council Meeting.
May 11, 2009	City Council budget work session.
June 2, 2009	Adoption of the Fiscal Year 2009-2010 budget.

9/15/2009

Explanation of the Budget Presentation

FUND LAYOUT

This budget is designed to present revenues and expenditures by Fund and expenditure detail by Department. The format of this budget is basically the same as last year. It begins with a section laid out by Fund which includes revenue and expenditure summaries. Each Fund type has a locator tab with the Fund type listed on the tab.

There are six Fund types in the Fiscal Year 2010 budget. They are as listed on the right side of the page. An explanation of each Fund type is included in the glossary located in the Appendices section of this budget.

The layout of the expenditure detail information is graphically explained on the following pages.

General Fund #10

Solid Waste Disposal Tax Fund #15
Marketing/Communications Fund #17

Enterprise Funds

Water & Sewer Fund #30
W/S Capital Exp & Dev #42
W/S Renewal & Replace #51
Electric Fund #31
Power Agency Settlement #37
Electric Renewal & Replace #52
Transit Fund #32
Stormwater Fund #36

Capital Projects Funds

General Fund Stimulus Project Fund #11
Water & Sewer Stimulus Project Fund #12
Airport Project Fund #44
Water & Sewer Project Fund #62
Street Project Fund #63
Insurance Reserve Fund #69
Electric Capital Projects Fund #78
Stormwater Project Fund #79
General Fund Capital Project Fund #83
Downtown Capital Projects #84

Internal Service Funds

Health Self-Insurance Fund #68
Dental Self-Insurance Fund #70
Veh/Equip Replacement Fund #80
Tech Services Internal Svc Fund #81

Special Revenue Funds

Technology Support Fund #19
Community Development Fund #21
CD/108-Downtown Revit Fund #22
CD/Rehabilitation Fund #23
CD/Home Investment Fund #24
CD/108 Loan/Neighborhood Fund #25
CD/108-Economic Devel Fund #26
CD/Economic Devel Fund #27
Occupancy Tax Fund #28
Uptown Municipal Services Fund #29
Infrastructure Rehab Fund #87

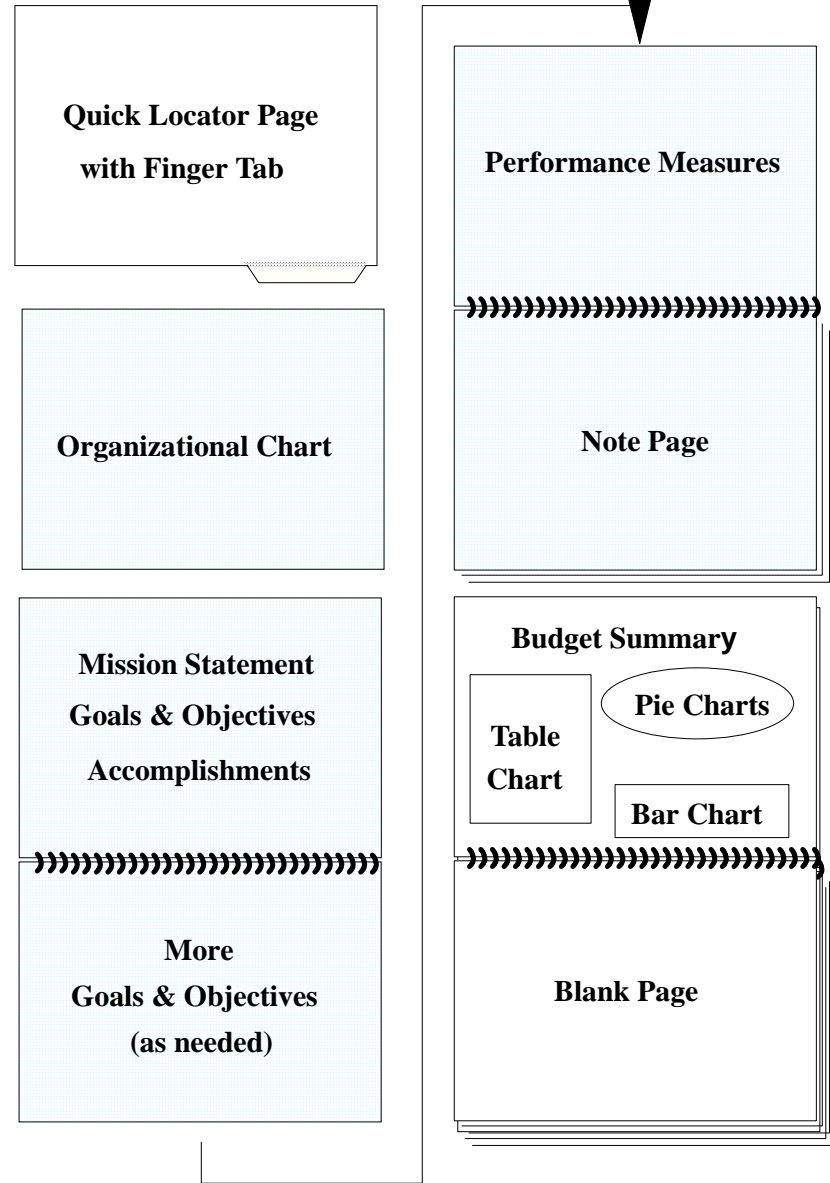
Trust & Agency Funds

Federal Asset Forfeiture #73
State Asset Forfeiture #74
Police Memorial Trust #75

EXPENDITURE DETAIL LAYOUT

The expenditure detail section includes the information as shown in the page layout on the right side of this page. The detail begins with the Mayor/Council budget and proceeds to the City Manager and those departments which are directly under his perview. Thereafter, it is organized by Assistant City Manager with the departments following alphabetically.

Following the organizational chart are the department's Mission Statement, Fiscal Year 2010 Objectives and Fiscal Year 2009 Accomplishments. The next page presents an overview of the department's budget in the form of a summary. (Please see the next page in the introduction for a more detailed explanation of the overview/summary section.)



The budget summary page is in chart form. It allows the reader to get a "quick picture" of the department's proposal. The chart on the left side of the page is a table which summarizes expenditures by division (or function) within the categories as generally used in the City's monthly financial reports. These categories are as follows:

- Salaries
- Fringe Benefits
- Equipment
- Other Capital Outlay
- Purchases for Resale
- Debt Service
- Other Operating Expenditures

The divisions are listed top to bottom in the same sequence as the detail following the chart. The department codes included in each division (or function) subtotal are listed in the bar beside the division (or function) name. These codes (XX-YYY) represent the fund (XX) and department (YYY) as reported in the upper left corner of the detail sheets which follow the summary page. In the case of multi-division/function departments, totals are provided at the bottom of the chart. Total expenditures are compared to total revenues and utility reimbursements. Utility reimbursements are overhead costs charged to the Enterprise Funds for services provided.

The right side of the chart page is basically a visual illustration of the text and numbers which appeared in the table discussed above. Just below the department name is the department's total expenditures as compared to the total operating budget and reported as a percentage figure. Next is a pie chart showing the percentage of the budget allocated to each division (or function). A second pie chart portrays the allocations by the expenditure categories. The horizontal bar chart at the bottom right compares expenditures, revenues and utilities reimbursements/service charges. This is a graphic illustration of the information on the bottom line of the table.

