

May 18, 2015

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

I am pleased to present the City’s 2015-16 Annual Budget for your review and consideration. This budget was prepared in accordance with the provisions of the North Carolina General Statutes and the policies of the North Carolina Local Government Commission. This budget is balanced and reflects the City Council’s commitment to responsible fiscal management, while enhancing services that improve the quality of life for the citizens of High Point. Funds included in the budget are adequate to continue providing the services I believe are expected by our citizens. The budget attempts to strike a balance between addressing the needs of today and providing flexibility to address the needs of the future.

This budget addresses many of the goals that Council has expressed an interest in during my short time as your Manager. The major items addressed include enhancing Livability, Transparency, Accountability and Infrastructure. These items are addressed with a tax rate decrease and without significantly sacrificing current levels of service.

**TOTAL FY 2015-16 BUDGET**

The comparable year over year budget comparison of expenditures from this year to last year, the increase is \$5,434,083 or 1.6%

The total FY 2015-16 budgeted expenditures for the City of High Point amount to \$364,048,404. This is an increase of \$22,350,111 or 6.5% from the FY 2014-15 Budget. The majority of this increase is related to an accounting change due to how health insurance is budgeted, and a large one time capital purchase. The chart below displays the net budget, the accounting change, and the large one-time expenditure:

CITY OF HIGH POINT TOTAL BUDGET SUMMARY				
Budget	Original FY 2015 Budget	Proposed FY 2016 Budget	\$ Change Prop/Orig	\$ Change Prop/Orig
Total Net Budget	341,698,293	347,132,376	5,434,083	1.6%
Insurance Reserve Fund	-	10,446,176	10,446,176	0.0%
Transit Bus Replacement	-	6,469,852	6,469,852	0.0%
<b>Total Budget</b>	<b>341,698,293</b>	<b>364,048,404</b>	<b>22,350,111</b>	<b>6.5%</b>

The majority of the increase, \$16,916,028 or 4.9% is related to these two new items. The first is a change in how we currently budget our expenses for health, dental and life insurance. There is a need at this time to create an Insurance Reserve Fund. The funds are already budgeted, and it is only the creation of the new fund that is causing the majority of the increase.

The second item is an increase of \$6,469,852 for the purchase of 15 new transit buses. This has been a long planned replacement which is funded through a combination of grant funds and local funds. The chart below list the sources of funds and percentage of participation by the Federal, State and local government.

City of High Point, North Carolina – FY 2015-16 Annual Budget

CITY OF HIGH POINT BUS REPLACEMENT PLAN		
Budget	Original FY 2015 Budget	\$ Change Prop/Orig
Federal Funds	5,600,000	80.0%
State Funds	700,000	10.0%
Previous Years' City Funds	530,148	7.6%
Current Year City Funds	169,852	2.4%
<b>Total Budget</b>	<b>7,000,000</b>	<b>100.0%</b>

If we adjust for these items the actual net increase is \$5,434,083 or 1.6% over the previous fiscal year adopted budget.

Recent decisions by the State Legislature that impact local governments' ability to raise revenue will be closely monitored. In 2013 the State took away the ability for local governments to charge a privilege license fee, which meant a decrease of over \$800,000 for High Point, the equivalent to 9/10ths of a penny to our tax rate. We have seen an uptick in sales tax revenue this year, which has covered much of this anticipated loss. However, the legislature is considering future changes to sales tax distribution which could have an impact of up to \$3 million annually.

Below is a chart of total 2015-16 budgeted revenues and expenditures compared to the 2014-15 Adopted Budget:

CITY OF HIGH POINT TOTAL BUDGET SUMMARY						
Sources and Uses of Funds	FY 2014 Actual	Original FY 2015 Budget	FY 2015 Estimate	Proposed FY 2016 Budget	\$ Change Prop/Orig	\$ Change Prop/Orig
<b>REVENUES</b>						
Fund Balance	-	11,302,046	1,666,995	7,567,796	(3,734,250)	-33.0%
Property Tax	61,607,104	60,768,208	60,708,721	59,854,492	(913,716)	-1.5%
Sales & Use Taxes	18,258,133	22,265,009	25,245,000	26,002,070	3,737,061	16.8%
Intergovernmental Revenues	22,397,560	19,514,400	20,312,338	19,624,143	109,743	0.6%
Licenses & Permits	4,237,784	3,799,800	3,803,430	3,111,917	(687,883)	-18.1%
Charges for Services	195,601,410	200,492,845	200,357,106	216,597,090	16,104,245	8.0%
Miscellaneous Revenues	9,912,082	7,601,701	7,631,893	11,181,802	3,580,101	47.1%
Reimbursements	6,819,261	180,000	180,000	180,000	-	0.0%
<b>Net Total Revenues</b>	<b>318,833,334</b>	<b>325,924,009</b>	<b>319,905,483</b>	<b>344,119,310</b>	<b>18,195,301</b>	<b>5.6%</b>
Interfund Activities	10,090,566	15,774,284	15,393,822	19,929,094	4,154,810	26.3%
<b>Total Revenues</b>	<b>328,923,900</b>	<b>341,698,293</b>	<b>335,299,305</b>	<b>364,048,404</b>	<b>22,350,111</b>	<b>6.5%</b>
<b>EXPENDITURES</b>						
Personnel Services	89,895,307	94,830,129	92,508,890	96,144,582	1,314,453	1.4%
Operating Expenditures	171,070,012	169,608,971	164,975,049	182,721,153	13,112,182	7.7%
Capital Outlay	4,301,426	9,518,029	10,424,698	14,005,778	4,487,749	47.1%
Debt Service	28,732,794	30,147,457	29,432,194	29,244,275	(903,182)	-3.0%
PayGo Capital	10,098,873	12,660,820	12,698,320	15,299,352	2,638,532	20.8%
Reimbursements	16,395,547	9,494,768	9,059,701	10,522,410	1,027,642	10.8%
Contingency	-	1,150,000	-	1,150,000	-	0.0%
SubTotal	320,493,959	327,410,174	319,098,852	349,087,550	21,677,376	6.6%
Interfund Activities	8,529,217	14,288,119	13,976,970	14,960,854	672,735	4.7%
<b>Total Uses of Funds</b>	<b>329,023,176</b>	<b>341,698,293</b>	<b>333,075,822</b>	<b>364,048,404</b>	<b>22,350,111</b>	<b>6.5%</b>

### FY 2015-16 MAJOR REVENUES HIGHLIGHTS

Total revenues for FY 2015-16 are projected to increase \$22,350,111, which is a 6.5% increase from the FY 2014-15 Adopted Budget. The 2015-16 Budget proposes a number of changes to our current revenue basis, including a 1.4 cent tax rate decrease, a \$3/month increase in garbage collection fees, a 3.5% water-sewer rate increase, and a \$1/month increase in storm water fees. Greater details are outlined below:

- The budget decreases the city’s current \$.664 property tax rate by \$1.4 cents, to \$.65 cents. A penny on the tax rate generates approximately \$914,000. This tax rate decrease is the second year of a three year decrease which is anticipated due to moving the Environmental Services Division from the General Fund to the Solid Waste Enterprise Fund. This rate decrease equals approximately \$1,280,000 in General Fund tax revenue. The chart below shows the impact of the tax rate decrease on the total tax generated the impact on a property owner in a \$100,000 home.

CITY OF HIGH POINT PROPERTY TAX COMPARISON			
	FY 2014	FY 2015	\$ Change
Tax Rate (in cents)	66.4	65.0	(1.4)
Current Year Tax generated	\$60,675,477	\$59,396,175	(\$1,279,302)
Tax on a \$100,000 home	\$664	\$650	(\$14)

- Increases the current \$8.00 per month solid waste collection fee to \$11.00 per month beginning July 1, 2015. This \$3.00 increase is the second increase in a three year plan to transition the Environmental Services Division from the General Fund to the Solid Waste Enterprise Fund. This rate increase will generate approximately \$1,465,000.
- Includes a 3.5% water and sewer rate increase effective October 1, 2015 to continue the long range strategy to fund water and sewer bonds. This rate increase is less than the 4.0% to 6.0% recommended amount that was developed by the City in conjunction with Davenport and Company. This long range financing strategy has been in place since 2004.
- An increase of storm water ERU (equivalent residential unit) fees of \$1 per month, from \$2 to \$3. This increase will generate approximately \$1.3 million in additional revenue, which will fully fund the debt service for storm water capital projects related to the 2004 bond authorization, shifting this burden away from general fund tax revenue.

### FY 2015-16 EXPENDITURE HIGHLIGHTS

The comparable year over year expenditure total is an effective increase of \$5,434,083 or 1.6%. The total expenditure increase for the FY 2015-16 Budget is \$22,350,111 or 6.5% more than the FY 2014-15 Adopted Budget.

This budget attempts to address the serious issue of continued decline in the appearance of the city. I am proposing a number of solutions to address this critical issue.

First, I am proposing a return to a proactive code enforcement program in High Point by adding four full-time code enforcement officers. The officers, in combination with the two existing positions, will significantly enhance the ability of our staff to address the issue of dilapidated and substandard housing. These additional resources will give us the staffing to go from a complaint driven system to a system where we have the ability to self-initiate action on many of the code enforcement violations throughout the city.

Secondly, I am proposing to add a program to enhance the appearance of our streets and rights-of-way. An enhanced mowing program will increase the frequency of mowing and litter collection of major thoroughfares, specialty areas, street slopes and banks, and litter collection in the downtown area. Enhancing this highly visible service will require an addition of 3 full-time and 5 seasonal employees to our existing staff. The addition of these positions and additional equipment will allow us to increase service levels. For instance, we will increase the frequency of mowing on major thoroughfares from every 6 week cycles to 2 week cycles, and mowing of specialty areas from 14 day cycles to 10 day cycles.

Third, I am proposing the addition of a Street Sweeper position and vehicle, which, in conjunction with the two current positions, will enable city staff to increase the frequency of cleaning our roadways by 33%.

And finally, a budget of \$500,000 is included for redevelopment efforts. These efforts could include purchasing property in targeted areas for land banking, or funding for increased demolition of substandard property.

These investments will give us the ability to not only enhance the appearance of the city in the short term, but to enhance property values citywide in the long term. These strategies will continue to be monitored in future years to ensure their effectiveness.

Another major focus area addressed as part of this budget is the enhancement of our current Public Information Office, which we will now call our Communications and Public Engagement department. Additional staffing is needed in order to enhance our ability to communicate with Citizens, the news media, City Council and other interested parties. I am proposing the addition of a Marketing Manager position and a Communications Specialist to supplement the work that our Public Information Officer does in this vital service area. The focus of the department will be to increase the frequency and quality of communications, marketing, outreach and partnerships with our community interest groups

The needs, priorities and details of each fund are highlighted in detail throughout this document. Below are the major expenditure highlights included in the FY 2015-16 Proposed Budget by area of focus:

- To fund the following personnel related items are being proposed:
  - Eliminate twelve positions, which will be reprioritized to fund new priorities. The positions include ten from the General Fund and two from the Solid Waste Fund. Positions deleted include a Financial Services Manager, 2 Construction Inspectors, 1 Library Assistant, 1 Library Lending Supervisor, 1 Librarian, 1 Golf Course Grillroom Attendant, 2 Maintenance Equipment Operators, 1 Internal Auditor, 1 Sanitation Worker and 1 MRF Equipment Operator. Total savings from these positions is \$361,215. These positions are currently vacant.

- A 1.0% cost of living increase for all eligible employees on July 1, 2015, and an average 2.0% merit increase on eligible employees' anniversary date. The cost of this pay plan is approximately \$1,345,000 citywide. The cost by each major fund is: General Fund (\$965,000), Water/Sewer (\$131,000), Electric (\$107,000), Solid Waste (\$60,000), all others (\$82,000). This proposal will help the city remain competitive in the retention of staff.

Funds are included to address each of these major budget themes:

#### **ENHANCED LIVABILITY**

- Four Code Enforcement Officer positions and necessary equipment and vehicles at a cost of \$318,992.
- One Street Sweeper position (\$38,465), one street sweeper vehicle (\$235,000) and annual fuel and maintenance costs (\$40,000), all paid for by Storm Water user fee revenue.
- The addition of 3 full-time and 5 seasonal employees and equipment for the enhanced mowing operation and litter collection on public rights-of-way. These positions are funded for half the year, and the first year cost of personnel and equipment is \$304,466.
- \$500,000 in funds for redevelopment efforts.
- Addresses the need for enhanced Wi-Fi connectivity by adding this service to Oakview, Allen Jay and Deep River recreation centers at a cost of \$24,500. In addition to these added sites, \$38,800 is included for upgrading speed at our current downtown sites to 1 gig Wi-Fi, which will address many of the slowdowns that are encountered during Furniture Market.
- Includes \$300,000 in anticipation of participation in a countywide economic development effort.
- Increases the current Façade Grant Match program from \$35,000 to \$50,000.

#### **ENHANCED TRANSPARENCY AND ACCOUNTABILITY**

- The addition of a Marketing Manager and a Communications Specialist for enhanced citywide communications at a cost of \$147,242.
- 1 Assistant City Manager position for \$157,029 to enhance accountability and span of control issues.
- Includes \$15,000 for a citywide cost allocation plan study.

#### **ENHANCED INFRASTRUCTURE**

- Plans the acquisition of three Fire apparatus for \$1,700,000. These vehicles will be funded using lease purchase funds. A long range fire apparatus replacement plan has

been developed that proposes a steady cash funding source and using a combination of lease purchase financing and cash funding.

- Anticipates using \$250,000 for various updates to City Hall to initiate and address enhanced customer access to Building Inspections and Planning.
- Included lease purchase funding for \$3,600,000 for an upgrade to our 800 MHz radio system. The current system platform is a Motorola 4.1 platform which was purchased in 1988, and support for this platform will end this year. The new 7x platform is anticipated to have a similar lifespan and is compatible with our current handheld units.
- Continues funding \$1,400,000 in pay-as-we-go neighborhood street resurfacing.
- \$4,500,000 in pay-as-we-go water and sewer improvements, including \$2,000,000 for obsolete water and sewer lines.
- This budget plans \$7,000,000 to replace the entire fleet of transit buses. The current year budget appropriates \$6,469,852, and \$530,148 was appropriated in prior years. The funding for the \$7,000,000 total cost is shared between the Federal Government at 80% (\$5,600,000), State Government at 10% (\$700,000), and City funds at 10% (\$169,852 in current year funds, \$530,148 in prior year appropriations.)
- Plans for \$500,000 for design and right-of-way acquisition of Kersey Valley Road and \$320,000 for an equipment shed at the landfill, all paid for with Solid Waste funds.
- Includes \$350,000 for pay-as-we-go routine storm water projects and \$169,000 for an additional leaf collection machine funded from storm water fee revenue.
- Replaces \$2.4 million in vehicles funded with cash from the Fleet division of the Central Services Fund. Equipment to be replaced includes a compact rear loader, vector truck, electric bucket truck, off road equipment, sedans, light trucks and police vehicles.

## **FY 2015-16 PERSONNEL, SALARIES AND BENEFITS HIGHLIGHTS**

The 2015-16 Adopted Budget started with a base of 1,368 full-time and 209 part-time positions that were approved in the previous years' budget. The following changes have been made to this position count:

- Addition of 11 full-time positions, including 4 Code Enforcement Officers, 1 Assistant City Manager, 2 Public Information Office positions, 1 Street Sweeper position, and 3 Street Department positions. Addition of 5 seasonal Street Department positions.
- Deleted 12 full-time positions, including a Financial Services Manager, 2 Construction Inspectors, 1 Library Assistant, 1 Library Lending Supervisor, 1 Librarian, 1 Golf Course Grillroom Attendant, 2 Maintenance Equipment Operators, 1 Internal Auditor, 1 Sanitation Worker and 1 MRF Equipment Operator.
- Accounts for a number of "overhire" positions that were approved in prior years. These are positions that were allowed to supplement current operations or to begin the process of filling vacancies prior to the actual date of the vacancy. This strategy has been used

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in a few departments, particularly in Police and Fire, where the time to recruit and train new employees would take critical first responders out of duty for extended amounts of time. These positions were budgeted but not shown on the official position count. By recognizing these positions, there will be 10 Police, 9 Fire, 5 Emergency Communications (911) positions, and 2 Phone Center employees added to the official position count.

- Accounts for 1 Wellness Coordinator that was converted from a part-time to a full-time position and an Internal Auditor position that was added mid-year in FY 2014-15.
- Accounts for 2 full-time Transportation positions that were previously shown as part-time. The positions are partially funded by the Metropolitan Planning Organization (MPO), and therefore had been listed as part-time.

All these changes yield a position count of 1,397 full-time and 211 part-time positions. The chart below shows the changes discussed above:

CITY OF HIGH POINT FY 2014-15 TO FY 2015-16 POSITION CHANGES		
POSITION CHANGES	FULL-TIME	PART-TIME
<b>BEGINNING POSITION COUNT:</b>	1,368	209
<b>MID YEAR CHANGE:</b>		
Wellness Coordinator	1	(1)
Internal Auditor	1	-
Transportation GIS Analyst	1	(1)
Transportation Planner	1	(1)
<b>ELIMINATE:</b>		
Financial Services Manager	(1)	-
Construction Inspectors	(2)	-
Library positions	(3)	-
Grill Room Attendant	(1)	-
Street Maintenance Operators	(2)	-
Internal Auditor	(1)	-
Sanitation Worker	(1)	-
MRF Equipment Operator	(1)	-
<b>ADD:</b>		
Code Enforcement Officers	4	-
Street Sweeper	1	-
Assistant City Manager	1	-
Communications Specialist	1	-
Marketing Manager	1	-
Enhanced Mowing program	3	5
Police overhires	10	-
Fire overhires	9	-
911 overhires	5	-
Call Center overhires	2	-
<b>TOTAL</b>	<b>1,397</b>	<b>211</b>

## **PAY FOR PERFORMANCE**

This budget continues a two-tiered compensation plan in order to remain competitive in the current job atmosphere. The first tier is a 1.0% cost of living increase for all eligible employees effective July 1, 2015. The second tier is a pay-for-performance increase which will range from 0.0% to 2.0% increase. This second tier will be effective on the employee's anniversary date. The annual cost of this program is \$1,345,000 citywide. The cost by each major fund is: General Fund (\$965,000), Water/Sewer (\$131,000), Electric (\$107,000), Solid Waste (\$60,000), all others (\$82,000).

## **EARLY RETIREMENT INCENTIVE PROGRAM**

Since 2006, it is estimated that the City has saved more than \$3.7 million from 243 employees who have taken advantage of the early retirement program. Approximately 20-25 eligible employees are expected to accept early retirement this year for an additional \$450,000 in savings.

This year the early retirement incentive program has been offered to 132 eligible employees. This voluntary program is available to employees age 55 or older with 30 or more years of creditable service or employees 60 or older with 5 or more years of service with the Local Governmental Employees Retirement System.

The early retirement program will continue to be evaluated on an annual basis.

## **CAPITAL IMPROVEMENT PROGRAM**

Capital investments and reinvestments are critical elements in the City's total Financial Program. Capital improvements are financed by one of four basic methods.

The first method involves the issuance of voter approved general obligation bonds generally backed and paid by property taxes. The second method is a slight variation of the first, and allows the City to issue small amounts of what are known as two-thirds general obligation bonds from time-to-time that do not require tax increases or voter approval. The third method involves water and sewer revenue bonds, backed and paid by revenues from our water and sewer system. Water and sewer revenue bonds do not require voter approval. Both general obligation and revenue bond financing involve principal, interest and cost of issuance expenses. The fourth method is pay-as-we-go capital financing. The pay-as-we-go alternative, developed and expanded in the past nine years, allows us to finance needed capital improvements from current revenues, grants and other funds, thereby avoiding the additional and higher cost associated with the issuance and financing of long-term debt.

The City has engaged Davenport & Company, LLC of Richmond, Virginia as our financial advisor since 2003. Davenport has assisted the City with general obligation and revenue bond planning and modeling, financial policies, rating agency strategies and interactions, bond issuance, investment analysis, and bond refunding analysis.

Capital investments are necessary for a city to replace existing and invest in new infrastructure. Debt financing of this infrastructure is a sound financial strategy as long as the borrowing is done in a strategic and conservative fashion. Local policies are in place to ensure that borrowing is done responsibly, and oversight of our borrowing practices are in place through the

Local Government Commission. The City is well prepared to address replacement of existing infrastructure and meet and provide for future growth and development.

## **GENERAL OBLIGATION BONDS**

General obligation bonds are a common type of municipal bond that is secured by the full faith and credit of the tax rate to repay bond holders. This debt instrument was used to fund the 2004 bond authorization.

The City has largely completed all the projects related to the \$73.65 million 2004 bond authorization. Completed projects include the following:

- Street projects including the reconstruction of Oakview Road, Old Winston Road, Barrow Road, Lindsay Road, the extension of Hartley Drive and Deep River at Eastchester, Kivett gateway improvements, and various intersection improvements.
- Parks and Recreation projects, including enhancements at Harvell Park, City Lake Park, Washington Terrace Park, Armstrong Park, Oak Hollow marina, and the Phillips Soccer Complex. Funds also reconstructed the Deep River and the Allen Jay recreation centers and acquired land for future park development.
- Replacement of Fire Station #3, Fire Station #4, and the Fire Maintenance and Logistics facility.
- Expansion and renovation of the Library.

Major storm water projects including projects at Ray Street, Jacobs Place, Rockford, Rotary and Kensington, Hamiton and Montlieu, Charlotte Avenue and Delk Drive. The entire debt for the 2004 Bond Authorization will be retired in 2034.

Any new GO Bond authorization will include the following steps:

- Refining the existing debt capacity model
- Developing a debt affordability model which identifies sources of repayment for existing debt service and funds available for future debt service, including accumulated reserves
- Modeling the City's Capital Improvement Plan
- Analyzing the impacts of funding scenarios relative to the City's debt capacity and affordability
- Developing a comprehensive plan of finance
- Implementing the plan of finance

## **TWO-THIRDS GENERAL OBLIGATION BONDS**

Two-thirds bonds are State authorized General Obligation bonds that may be issued without voter approval. The statute allows a local government to issue up to 2/3 of the amount of GO bonds that were paid off in the previous year. These bonds can be used for any other general

obligation purpose, except they cannot be issued to finance auditoriums, coliseums, arenas, stadiums, civic centers or convention centers, art galleries, museums, historic properties, public transportation systems, cable television systems or redevelopment projects.

Since 2007, Council has authorized the issuance and use of \$21,515,000 in two-thirds generation bonds to complete a wide variety of needed improvements.

Through the years, two-thirds bonds have been used to improve and upgrade the Athletic Complex, Oak Hollow Campground, Washington Terrace swimming pool, City Lake dock and pier, Camp Ann restrooms, Lindsay Street utility and landscaping, and other improvements. Two-thirds bond money from 2012 has been set aside to help finance various improvements in the Main Street corridor and the Library Plaza project.

In 2014 there was \$6,115,000 in two-thirds bonds issued to help finance the completion of sidewalk improvements, sidewalk and curb and gutter improvements on Cedrow Drive, railroad bank stabilization along Washington Street, greenway completion, and a new fire training tower and site improvements at the fire training facility.

The current budget does not include a two-thirds bond issue, but there will be capacity to issue approximately \$6 million in two-thirds bonds in this fiscal year.

## **WATER AND SEWER REVENUE BONDS**

Revenue bonds are municipal bonds that finance income-producing projects that are secured by a specified revenue source, such as water and sewer rates. Revenue bonds are issued by the government agency for operations that run in the manner of a business, with operating revenues and expenses, such as our Water & Sewer Fund. The pledge to repay the bond is guaranteed by the rates of the Water & Sewer Fund.

The City has invested more than \$276,790,000 in various major water and wastewater projects in the past seventeen years. This includes the 2014 sale of \$39.1 million for projects such as the Westside Wastewater Treatment Plant, incinerator rebuild and upgrades, water/sewer line expansion to NC66/I-74, and various other projects.

Over the next five years, we anticipate financing and completing an estimated \$57,765,400 in additional major water and wastewater bond projects, including issuance of approximately \$38 million in the FY 2015-16. Projects for this fiscal year include \$12,750,000 for the Westside Wastewater Treatment Plant Phase 3; \$8,000,000 for incinerator rehabilitation and emission improvements; \$6,300,000 for various outfall improvements, \$5,000,000 for utilities related to the widening of Skeet Club; \$2,100,000 for the replacement of the Ward Water Tank, and \$2,800,000 for the Ward Water Plant electrical rehabilitation; and others. These investments and the financing of these investments are included in our long-range business plan that has been developed in conjunction with Davenport and Company. Staff is evaluating the plan beyond the five year range and will be updating it as needed.

Revenue bonds are paid from water and sewer utility revenues, and not from property taxes. Revenue bonds do not require voter approval.

## BOND AGENCY RATINGS

The City's capacity to finance and pay for needed improvements is evaluated from time to time by the following rating agencies: Moody's Investment Services, Standard & Poor's, and Fitch Ratings. Protecting and enhancing our bond ratings is one of our highest priorities.

The City has seen a series of bond rating upgrades since 2003, including the addition of a AAA bond rating assignment by Standard & Poor's. The City's bond ratings were re-affirmed in conjunction with our bond sale in April 2014. The City enjoys highly favorable bond ratings from each agency, which in turn lowers our cost of borrowing. These favorable ratings were due to strong and conservative financial management practices and adherence to financial policies, Local Government Commission regulations and state laws. The chart below shows a history of High Point's rating changes:

CITY OF HIGH POINT BOND RATING HISTORY			
Rating Action Date	Moody's	Standard & Poor's	Fitch
<b>GENERAL OBLIGATION BONDS</b>			
May 2003	Aa3	AA	n/r
September 2005	Aa3	AA	AA
October 2007	Aa2	AA	AA
May 2008	Aa2	AAA	AA
April 2010	Aa2	AAA	AA+
May 2012	Aa1	AAA	AA+
<b>REVENUE BONDS</b>			
October 2004	A1	A+	AA
May 2008	Aa3	AA	AA
June 2010	Aa2	AA+	AA+
May 2012	Aa2	AAA	AA+

High Point is one of sixteen cities in North Carolina that have achieved a AAA bond rating. The others include Apex, Carrboro, Cary, Chapel Hill, Charlotte, Cornelius, Durham, Fuquay-Varina, Greensboro, Huntersville, Morrisville, Raleigh, Wake Forest, Wilmington and Winston Salem.

## DEBT SERVICE SUMMARY

High Point has managed debt service to intentionally keeping our debt service costs stable from year to year. Management of our debt service is part of a long range debt management plan devised in conjunction with our financial advisors, Davenport and Company, and this plan adheres to the City of High Point's Fiscal Policies, Local Government Commission regulations, and state law. Annual debt service payments reflect the cost of rebuilding and adding capacity to the City's water, wastewater, transportation, public safety and other infrastructure elements. The total outstanding tax supported and utility supported debt is shown in the table below:

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CITY OF HIGH POINT EXISTING ANNUAL DEBT SERVICE REQUIREMENTS									
	TAX SUPPORTED DEBT			UTILITY SUPPORTED DEBT			TOTAL DEBT SERVICE		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	TOTAL
FY 2016	7,238,484	3,683,777	10,922,261	9,770,794	7,771,662	17,542,456	17,009,278	11,455,439	28,464,717
FY 2017	7,244,129	3,023,443	10,267,572	10,790,839	7,455,378	18,246,217	18,034,968	10,478,821	28,513,789
FY 2018	6,562,335	2,815,110	9,377,445	10,015,488	7,120,108	17,135,596	16,577,823	9,935,218	26,513,041
FY 2019	6,250,768	2,589,846	8,840,614	9,730,825	6,745,831	16,476,656	15,981,593	9,335,677	25,317,270
FY 2020	5,917,953	2,348,984	8,266,937	9,094,657	6,368,339	15,462,996	15,012,610	8,717,323	23,729,933
FY 2021	5,812,953	2,100,821	7,913,774	9,184,657	5,991,077	15,175,734	14,997,610	8,091,898	23,089,508
FY 2022	5,735,998	1,843,752	7,579,750	9,056,612	5,586,064	14,642,676	14,792,610	7,429,816	22,222,426
FY 2023	5,672,089	1,597,239	7,269,328	7,625,521	5,188,121	12,813,642	13,297,610	6,785,360	20,082,970
FY 2024	5,392,970	1,343,654	6,736,624	7,724,640	4,823,664	12,548,304	13,117,610	6,167,318	19,284,928
FY 2025	5,375,973	1,120,859	6,496,832	8,031,636	4,444,499	12,476,135	13,407,609	5,565,358	18,972,967
FY 2026	5,243,070	917,219	6,160,289	8,304,539	4,056,920	12,361,459	13,547,609	4,974,139	18,521,748
FY 2027	4,800,000	707,489	5,507,489	8,417,609	3,657,231	12,074,840	13,217,609	4,364,720	17,582,329
FY 2028	4,185,000	503,953	4,688,953	8,782,609	3,269,613	12,052,222	12,967,609	3,773,566	16,741,175
FY 2029	3,045,000	314,040	3,359,040	9,147,609	2,871,697	12,019,306	12,192,609	3,185,737	15,378,346
FY 2030	2,270,000	170,487	2,440,487	9,537,609	2,457,553	11,995,162	11,807,609	2,628,040	14,435,649
FY 2031	590,000	57,438	647,438	9,900,000	2,035,115	11,935,115	10,490,000	2,092,553	12,582,553
FY 2032	590,000	39,000	629,000	10,310,000	1,586,659	11,896,659	10,900,000	1,625,659	12,525,659
FY 2033	305,000	19,825	324,825	6,000,000	1,212,328	7,212,328	6,305,000	1,232,153	7,537,153
FY 2034	305,000	9,913	314,913	6,265,000	912,486	7,177,486	6,570,000	922,399	7,492,399
FY 2035	-	-	-	3,310,000	680,277	3,990,277	3,310,000	680,277	3,990,277
FY 2036	-	-	-	3,435,000	519,203	3,954,203	3,435,000	519,203	3,954,203
FY 2037	-	-	-	2,130,000	394,600	2,524,600	2,130,000	394,600	2,524,600
FY 2038	-	-	-	2,230,000	296,250	2,526,250	2,230,000	296,250	2,526,250
FY 2039	-	-	-	2,345,000	181,875	2,526,875	2,345,000	181,875	2,526,875
FY 2040	-	-	-	2,465,000	61,625	2,526,625	2,465,000	61,625	2,526,625
<b>Total</b>	<b>82,536,722</b>	<b>25,206,849</b>	<b>107,743,571</b>	<b>183,605,644</b>	<b>85,688,175</b>	<b>269,293,819</b>	<b>266,142,366</b>	<b>110,895,024</b>	<b>377,037,390</b>

**PAY-AS-WE-GO FINANCING**

The City has made a commitment to fund a healthy level of pay-as-we-go financing for routine improvements, infrastructure maintenance, and grant matches of capital projects funded from state and federal grant programs.

Pay-as-we-go financing has increased in all funds by \$1,387,009 or 6.7%, from \$20,795,599 in 2014-15 to \$22,182,608 in 2015-16:

City of High Point, North Carolina – FY 2015-16 Annual Budget

CITY OF HIGH POINT PAY-AS-WE-GO SUMMARY BY FUND				
Fund	Original FY 2015 Budget	Proposed FY 2016 Budget	\$ Change Prop/Orig	\$ Change Prop/Orig
General - Other	1,116,070	1,761,508	645,438	57.8%
General - Street Resurfacing	1,400,000	1,400,000	-	0.0%
<b>GENERAL FUND SUB-TOTAL</b>	<b>2,516,070</b>	<b>3,161,508</b>	<b>645,438</b>	<b>25.7%</b>
Obsolete W & S Lines	2,000,000	2,000,000	-	0.0%
Water & Sewer - Other	2,063,909	2,759,200	695,291	33.7%
<b>WATER &amp; SEWER SUB-TOTAL</b>	<b>4,063,909</b>	<b>4,759,200</b>	<b>695,291</b>	<b>17.1%</b>
Landfill Phase IV	1,545,000	1,545,000	-	0.0%
Landfill - Other	1,050,000	820,000	(230,000)	-21.9%
<b>SOLID WASTE SUBTOTAL</b>	<b>2,595,000</b>	<b>2,365,000</b>	<b>(230,000)</b>	<b>-8.9%</b>
Electric	7,104,000	7,126,664	22,664	0.3%
Stormwater	572,000	818,500	246,500	43.1%
Other	3,944,620	3,951,736	7,116	0.2%
<b>Total Uses of Funds</b>	<b>20,795,599</b>	<b>22,182,608</b>	<b>1,387,009</b>	<b>6.7%</b>

**GENERAL FUND PAY-AS-WE-GO**

General Fund pay-as-we-go capital investments have increased by \$645,438 or 25.7%, from \$2,516,070 in 2014-15 to \$3,161,508 for 2015-16. The pay-as-we-go investments in the General Fund include:

Street Resurfacing	\$1,400,000
Engineering GPS Unit	12,500
Enhanced Mowing Program equipment	224,000
Parks & Rec Mowers & Other Equipment	161,000
Fire Station Generator (1 station)	18,300
Fire Station Training Center improvements	25,000
Vehicles for new Code Enforcement Officers	90,000
Police fingerprint lab equipment	40,000
Traffic Division Sign Equipment	36,000
Sidewalk construction	100,000
IT Equipment	371,458
Golf course cart path improvements	80,000
Johnson Street/Sandy Ridge Road (match)	128,250
I-74/NC68 Interchange improvements (match)	150,000
Traffic signal upgrades (match)	100,000
Skeet Club widening (match)	125,000
City Hall electric system upgrade	<u>100,000</u>
<b>General Fund Total</b>	<b>\$3,161,508</b>

**WATER AND SEWER PAY-AS-WE-GO**

Water and Sewer pay-as-we-go capital reinvestments have increased \$695,291 or 17.1%, from \$4,063,909 in 2014-15 to \$4,759,200 for 2015-16. A list of 2015-16 Water and Sewer pay-as-we-go investments are shown below:

Replace Obsolete Neighborhood Water Lines	\$1,000,000
Replace Obsolete Neighborhood Sewer Lines	1,000,000
Incinerator Rehab	1,000,000
Waterview Pump Station	300,000
Operating Equipment and Machinery	559,200
Alum Sludge Removal	300,000
Large Meters Change-out	150,000
NCDOT – TIP Program	150,000
Water Meter Change-out	100,000
Water System Improvements	100,000
Sewer System Improvements	<u>100,000</u>
Water & Sewer Total	\$4,759,200

**ELECTRIC PAY-AS-WE-GO**

The \$7,126,664 in pay-as-we-go reinvestments in the 2015-16 Electric Fund represents a \$22,664 or 0.3% increase compared to the \$7,104,000 included in the 2014-15 Annual Budget:

Electric System Improvements	\$2,430,000
HPU Substation (1 <sup>st</sup> year of 2 year funding)	1,800,000
Backyard Digger Derrick	250,000
Underground Conversion	600,000
Automated Meter Reading	200,000
Load Management	148,000
Linden Substation 100kv conversion (1 <sup>st</sup> year of 2 year funding)	1,000,000
Replace Metal Clad Switchgear	260,000
Operating Equipment and Machinery	128,664
Outdoor Lighting	<u>310,000</u>
Electric Capital Total	\$7,126,664

**SOLID WASTE PAY-AS-WE-GO**

The \$2,365,000 in 2015-16 pay-as-we-go is a decrease of \$230,000 or 8.9% from FY 2014-15. Landfill related investments include funding for multi-year reserves for land purchases at Kersey Valley Phase V, funds for relocation of Kersey Valley Road, and future Phase IV development:

Landfill – Land Purchase	\$250,000
Kersey Valley Road Relocation	250,000
Landfill Equipment Shed	320,000
Landfill Phase IV	<u>1,545,000</u>
Landfill Capital Total	\$2,365,000

**STORM WATER PAY-AS-WE-GO**

The \$818,500 in 2015-16 pay-as-we-go is an increase of \$246,500 or 43.1% from FY 2014-15. Storm Water investments include the following:

Storm Water routine projects	\$350,000
Street Sweeper vehicle	299,500
Leaf Collection vehicle	<u>169,000</u>
Storm Water Capital Total	\$818,500

**OTHER PAY-AS-WE-GO**

The \$3,951,736 in other 2015-16 pay-as-we-go investments includes the scheduled replacement of vehicles, normal computer and radio replacements, routine storm water projects, and others outlined below:

Fleet Replacement Program	\$2,456,500
Radio System Equipment	36,844
Computer System Replacements	302,812
911 System upgrades – grant	985,728
Transit Bus Replacement – Grant match	<u>169,852</u>
Other Capital Total	\$ 3,951,736

**2015-16 MAJOR FUND SUMMARIES****GENERAL FUND**

The 2015-16 General Fund Budget of \$102,416,709 is \$2,074,769 or 2.1% more than the adopted 2014-15 budget of \$100,341,940. The 2015-16 General Fund Budget is balanced with revenues of \$99,944,882 and \$2,471,827 from prior year fund balances. General Fund revenues and expenditures are summarized below:

City of High Point, North Carolina – FY 2015-16 Annual Budget

CITY OF HIGH POINT GENERAL FUND BUDGET SUMMARY						
Sources and Uses of Funds	FY 2014 Actual	Original FY 2015 Budget	FY 2015 Estimate	Proposed FY 2016 Budget	\$ Change Prop/Orig	\$ Change Prop/Orig
<b>REVENUES</b>						
Fund Balance	-	3,920,575	-	2,471,827	(1,448,748)	-37.0%
Property Tax	58,578,331	57,618,921	57,588,064	56,870,148	(748,773)	-1.3%
Sales & Use Taxes	17,150,334	21,900,009	24,880,000	25,617,070	3,717,061	17.0%
Intergovernmental Revenues	14,864,373	9,396,029	9,867,536	9,709,203	313,174	3.3%
Licenses & Permits	2,128,579	1,786,800	1,841,430	1,120,800	(666,000)	-37.3%
Charges for Services	6,611,339	5,021,606	4,265,810	4,233,361	(788,245)	-15.7%
Miscellaneous Revenues	773,160	698,000	523,978	2,394,300	1,696,300	243.0%
Reimbursements	6,819,261	-	-	-	-	0.0%
<b>Net Total Revenues</b>	<b>106,925,377</b>	<b>100,341,940</b>	<b>98,966,818</b>	<b>102,416,709</b>	<b>2,074,769</b>	<b>2.1%</b>
Interfund Activities	-	-	-	-	-	0.0%
<b>Total Revenues</b>	<b>106,925,377</b>	<b>100,341,940</b>	<b>98,966,818</b>	<b>102,416,709</b>	<b>2,074,769</b>	<b>2.1%</b>
<b>EXPENDITURES</b>						
Personnel Services	65,875,562	67,754,793	66,014,927	68,769,221	1,014,428	1.5%
Operating Expenditures	29,717,660	20,833,673	20,634,843	21,574,824	741,151	3.6%
Capital Outlay	364,214	395,500	746,165	2,678,258	2,282,758	577.2%
Debt Service	1,226,233	409,903	409,905	628,406	218,503	53.3%
PayGo Capital	423,964	328,570	328,570	783,250	454,680	138.4%
Reimbursements	110,004	86,071	86,071	86,896	825	1.0%
Contingency	-	400,000	-	400,000	-	0.0%
SubTotal	97,717,637	90,208,510	88,220,481	94,920,855	4,712,345	5.2%
Interfund Activities	7,510,507	10,133,430	9,822,281	7,495,854	(2,637,576)	-26.0%
<b>Total Uses of Funds</b>	<b>105,228,144</b>	<b>100,341,940</b>	<b>98,042,762</b>	<b>102,416,709</b>	<b>2,074,769</b>	<b>2.1%</b>

**GENERAL FUND REVENUES**

Below is a summary of major General Fund revenue changes:

- Property tax revenues represent 55.5% or \$56,870,148 of the General Fund. Property tax collections are projected to decrease approximately \$750,000 or 1.3% due to a decrease in property tax rate, from 66.4 cents to 65.0 cents.
- Sales tax revenues represent about 25% of General Fund revenues and are projected to increase approximately \$3,700,000 or 17.0% due to changes in sales taxes for electric and natural gas sales, a broadening of the sales tax base, and increased collections.
- License and permit fees are projected to decrease \$666,000 or 37.3% due to the state repeal of the privilege license.
- Charges for service are projected to decrease approximately \$800,000 or 15.7% due to less growth in Parks and Recreation revenue than previously predicted.

City of High Point, North Carolina – FY 2015-16 Annual Budget

- Miscellaneous revenues are increasing approximately \$1,700,000 or 243% due to lease purchase proceeds related to fire truck purchases.

**GENERAL FUND EXPENDITURES**

Below is a summary of major General Fund expenditure changes:

- Capital outlay is increasing approximately \$2,300,000 or 577%. This increase is due to \$1,700,000 in fire truck purchases, \$244,000 in enhanced mower program equipment, \$161,000 in Parks and Recreation Equipment, \$371,458 in IT equipment, and \$90,000 for Code Enforcement vehicles, offset by various decreases in one-time items from the previous year.
- Debt service is increasing by \$218,503 or 53% due to debt service for IT storage devices that was approved in FY 2014-15 (\$146,090) and fire truck debt service (\$102,549) for the \$1,700,000 in lease purchase financing proposed in FY 2015-16.

**ASSESSED PROPERTY VALUES**

The combined total assessed valuation estimates from our four County taxing authorities is \$9,137,873,047 for 2015-16, for a 0.3% increase. The value of one cent in tax rate will produce approximately \$914,000 revenues. Below is a chart of our historic assessed value history:

CITY OF HIGH POINT ASSESSED VALUE HISTORY								
Fiscal Year	REAL PROPERTY				Personal Property	Public Service Companies	Total Assessed Value	% Inc yr/yr
	Residential Property	Commercial Property	Industrial Property	Total				
2005	3,437,991,396	2,467,140,893	961,955,850	6,867,088,139	1,353,571,796	111,464,661	8,332,124,596	
2006	3,481,796,314	2,491,980,410	942,275,410	6,916,052,134	1,372,316,382	117,923,262	8,406,291,778	0.9%
2007	3,615,085,429	2,530,768,578	942,311,760	7,088,165,767	1,409,442,958	122,178,728	8,619,787,453	2.5%
2008	3,778,859,150	2,729,035,922	994,596,450	7,502,491,522	1,441,055,968	131,332,066	9,074,879,556	5.3%
2009	4,231,853,123	2,408,171,911	1,005,788,880	7,645,813,914	1,452,697,393	131,984,351	9,230,495,658	1.7%
2010	4,279,155,000	2,483,747,575	1,008,165,180	7,771,067,755	1,417,186,050	131,456,290	9,319,710,095	1.0%
2011	n/a	n/a	n/a	7,682,834,650	1,402,419,615	129,766,404	9,215,020,669	-1.1%
2012	n/a	n/a	n/a	7,655,916,694	1,455,701,042	129,074,157	9,240,691,893	0.3%
2013	4,300,290,483	1,949,336,323	987,346,355	7,236,973,161	1,501,465,603	148,989,146	8,887,427,910	-3.8%
2014	4,315,429,943	2,149,860,980	969,318,600	7,434,609,523	1,489,840,190	128,387,727	9,052,837,440	1.9%
2015 (est)	4,322,367,929	2,196,300,870	966,982,232	7,485,651,031	1,496,642,170	127,340,927	9,109,634,128	0.6%
2016 (est)	4,326,538,796	2,218,062,062	955,321,491	7,499,922,349	1,511,093,318	126,857,380	9,137,873,047	0.3%

**TAX RATE AND COLLECTIONS**

The proposed FY 2015-16 tax rate is 65.0 cents, which is a decrease of 1.4 cents from the Fiscal Year 2014-15 rate of 66.4 cents. This decrease is due to the second year of the plan to transfer the garbage collection service from the General Fund to the Solid Waste Fund.

The total proposed tax rate of 65 cents is divided between the General Fund and the General Debt Service Fund. The General Fund receives 61.6 cents, and the General Debt Service Fund receives 3.4 cents. Of the total current year estimated collections of \$58,252,713, the General

City of High Point, North Carolina – FY 2015-16 Annual Budget

Fund will receive \$55,196,244, and the General Debt Service Fund will receive \$3,056,470. A conservative blended collection rate of 98.4% is planned for current year tax collections since historically 98% of real property tax and 99% of automobile property tax is collected within the fiscal year. Below is a chart of the history of the tax rate, total tax levy, and collection amounts.

CITY OF HIGH POINT PROPERTY TAX COLLECTION HISTORY							
Fiscal Year	Tax Rate	Total Tax Levy	Collected within the Fiscal Year of the Levy		Total Collections to Date		% of Levy
			Amount	% of Levy	Prior Year Collections	Amount	
2005	0.54	45,007,822	44,189,414	98.2%	700,738	44,890,152	99.7%
2006	0.593	49,728,477	48,961,461	98.5%	635,428	49,596,889	99.7%
2007	0.608	52,426,916	51,598,122	98.4%	695,981	52,294,103	99.7%
2008	0.633	57,726,974	56,595,208	98.0%	944,770	57,539,978	99.7%
2009	0.633	58,805,839	57,501,339	97.8%	1,096,924	58,598,263	99.6%
2010	0.633	59,398,063	57,985,102	97.6%	1,174,951	59,160,053	99.6%
2011	0.633	58,762,018	57,169,238	97.3%	1,281,230	58,450,468	99.5%
2012	0.662	61,481,406	59,769,314	97.2%	1,204,119	60,973,433	99.2%
2013	0.675	60,356,131	58,559,431	97.0%	1,065,690	59,625,121	98.8%
2014	0.675	61,501,088	60,320,711	98.1%	969,507	61,290,218	99.7%
2015 (est)	0.664	60,110,841	60,085,364	100.0%	1,000,000	61,085,364	101.6%
2016 (est)	0.65	59,396,175	n/a	n/a	n/a	n/a	n/a

**WATER AND SEWER FUND**

The \$48,798,571 Water and Sewer Fund Budget for 2015-16 represents a 1.3% or \$620,605 increase from the 2014-15 adopted budget of \$48,177,966 as summarized below:

City of High Point, North Carolina – FY 2015-16 Annual Budget

CITY OF HIGH POINT WATER SEWER FUND BUDGET SUMMARY						
Sources and Uses of Funds	FY 2014 Actual	Original FY 2015 Budget	FY 2015 Estimate	Proposed FY 2016 Budget	\$ Change Prop/Orig	\$ Change Prop/Orig
<b>REVENUES</b>						
Fund Balance		2,323,832	-	1,310,707	(1,013,125)	-43.6%
Intergovernmental Revenues	528,539	396,704	435,938	435,938	39,234	9.9%
Charges for Services	43,408,992	45,187,430	45,429,865	46,781,926	1,594,496	3.5%
Miscellaneous Revenues	349,081	270,000	280,815	270,000	-	0.0%
<b>Net Total Revenues</b>	<b>44,286,612</b>	<b>48,177,966</b>	<b>46,146,618</b>	<b>48,798,571</b>	<b>620,605</b>	<b>1.3%</b>
Interfund Activities	-	-	-	-	-	0.0%
<b>Total Revenues</b>	<b>44,286,612</b>	<b>48,177,966</b>	<b>46,146,618</b>	<b>48,798,571</b>	<b>620,605</b>	<b>1.3%</b>
<b>EXPENDITURES</b>						
Personnel Services	7,885,382	8,416,089	8,080,162	8,564,348	148,259	1.8%
Operating Expenditures	10,561,060	11,639,735	10,552,398	11,200,613	(439,122)	-3.8%
Capital Outlay	116,354	213,909	210,772	259,200	45,291	21.2%
Debt Service	16,889,042	17,991,125	18,031,125	17,735,068	(256,057)	-1.4%
PayGo Capital	-	3,850,000	3,850,000	4,500,000	650,000	16.9%
Reimbursements	9,828,640	5,717,108	5,234,491	6,189,342	472,234	8.3%
Contingency		300,000		300,000	-	0.0%
SubTotal	45,280,478	48,127,966	45,958,948	48,748,571	620,605	1.3%
Interfund Activities		50,000	50,000	50,000	-	0.0%
<b>Total Uses of Funds</b>	<b>45,280,478</b>	<b>48,177,966</b>	<b>46,008,948</b>	<b>48,798,571</b>	<b>620,605</b>	<b>1.3%</b>

### WATER AND SEWER RATES

The 2015-16 Water and Sewer Fund includes a 3.5% water and sewer rate increase effective October 1, 2015. This increase is to fund the debt service on the approximately \$38 million in water and wastewater bonds that will be issued around the beginning of calendar year 2016.

This necessary rate increase is in line with the long-range capital financing plan that has been developed by Davenport & Company. This plan calls for annual rate increases between the 3.0% to 5.0% range to pay for this critical infrastructure development. This strategy was adopted in the early 2000s to avoid some of the 15-22% rate increases that were needed due to lack of proper long range planning. Below is a history of water and sewer rate increases:

City of High Point, North Carolina – FY 2015-16 Annual Budget

CITY OF HIGH POINT HISTORIC ANNUAL WATER AND SEWER RATE INCREASES			
FISCAL YEAR	EFFECTIVE DATE	WATER % CHANGE	SEWER % CHANGE
FY 2001	7/1/2000	17.20%	15.70%
FY 2002	7/1/2001	5.00%	22.20%
FY 2003	7/1/2002	8.00%	15.00%
FY 2004	7/1/2003	6.30%	14.50%
FY 2005	10/1/2004	4.90%	4.90%
FY 2006	10/1/2005	4.90%	4.90%
FY 2007	10/1/2006	4.90%	4.90%
FY 2008	11/8/2007	4.85%	4.85%
FY 2009	10/1/2008	5.90%	5.90%
FY 2010	10/1/2009	5.00%	5.00%
FY 2011	10/1/2010	4.90%	4.90%
FY 2012	10/1/2011	4.90%	4.90%
FY 2013	no increase	0.00%	0.00%
FY 2014	no increase	0.00%	0.00%
FY 2015	7/1/2014	3.00%	3.00%
FY 2016 (proposed)	10/1/2015	3.50%	3.50%

Water and sewer revenue rates are a critical component of funding the operation, maintenance and needed capital improvements for water treatment facilities and distribution lines, and for wastewater collection lines and treatment systems. Property taxes are not used to finance water and sewer utility services.

**ELECTRIC FUND**

The 2015-16 Electric Fund Budget of \$130,187,034 represents a 1.5% or \$1,861,514 increase from the 2014-15 Annual Budget of \$128,325,520. There is a proposal pending with Electricities to refinance a substantial portion of outstanding debt which could result in a wholesale power rate decrease. At this time there is not enough information to make an informed decision, so the 2015-16 Electric Fund Budget does not recommend a change in the current rate. We will continue to work with Electricities and brief the Council as soon as final decisions are made.

Wholesale power cost for FY 2015-16 is budgeted at \$102,500,000, which is the single largest expense in the Electric Fund and citywide budget. The budget continues to include \$100,000 for assistance to qualified low income customers, as well as \$7,126,664 in major capital projects mentioned earlier in this message. These routine capital investments are necessary to maintain efficient and ongoing operation of the Electric System.

City of High Point, North Carolina – FY 2015-16 Annual Budget

CITY OF HIGH POINT ELECTRIC FUND BUDGET SUMMARY						
Sources and Uses of Funds	FY 2014	Original	FY 2015	Proposed	\$ Change	\$ Change
	Actual	FY 2015 Budget	Estimate	FY 2016 Budget	Prop/Orig	Prop/Orig
<b>REVENUES</b>						
Fund Balance	-	2,364,469	-	2,447,812	83,343	3.5%
Sales & Use Taxes	716,163	-	-	-	-	0.0%
Intergovernmental Revenues	1,298,025	-	197,056	-	-	0.0%
Charges for Services	125,368,494	125,812,051	125,594,648	127,590,222	1,778,171	1.4%
Miscellaneous Revenues	2,923,275	149,000	152,973	149,000	-	0.0%
<b>Net Total Revenues</b>	<b>130,305,957</b>	<b>128,325,520</b>	<b>125,944,677</b>	<b>130,187,034</b>	<b>1,861,514</b>	<b>1.5%</b>
Interfund Activities	-	-	-	-	-	0.0%
<b>Total Revenues</b>	<b>130,305,957</b>	<b>128,325,520</b>	<b>125,944,677</b>	<b>130,187,034</b>	<b>1,861,514</b>	<b>1.5%</b>
<b>EXPENDITURES</b>						
Personnel Services	7,749,115	8,089,672	7,738,294	8,118,196	28,524	0.4%
Operating Expenditures	109,629,060	108,474,173	108,647,243	109,619,075	1,144,902	1.1%
Capital Outlay	2,426,523	2,770,000	2,770,000	2,858,664	88,664	3.2%
Debt Service	7,288,002	4,404,000	4,441,500	4,568,000	164,000	3.7%
PayGo Capital	3,967,712	2,947,675	2,947,675	3,383,099	435,424	14.8%
Contingency	-	450,000	-	450,000	-	0.0%
SubTotal	131,060,412	127,135,520	126,544,712	128,997,034	1,861,514	1.5%
Interfund Activities	-	1,190,000	1,190,000	1,190,000	-	0.0%
<b>Total Uses of Funds</b>	<b>131,060,412</b>	<b>128,325,520</b>	<b>127,734,712</b>	<b>130,187,034</b>	<b>1,861,514</b>	<b>1.5%</b>

**FUND BALANCES/RETAINED EARNINGS**

Fund balances and retained earnings are an absolutely critical, but often misunderstood and overlooked part of the Annual Budget. Fund balances and retained earnings consist of unencumbered and un-appropriated monies. They are essential for maintaining our strong bond ratings as well as to maintain positive year-round and year-to-year cash flows. Strong fund balances are essential as we plan ahead for subsequent budgets.

The North Carolina Local Government Commission recommends maintaining an 8.0% balance in each fund. This is necessary for maintaining positive year-round cash flows, reducing the need for short term borrowing, and assisting in maintaining investment grade bond rating. The High Point City Council adopted Fiscal Policy calls for a minimum 10.0% fund balance of estimated expenditures as a signal of financial strength and fiscal stability. The City of High Point applies the policy to all operating funds *except* the Water-Sewer Fund, which calls for a 50% fund balance, and the Economic Development, General Debt, and General Capital Project funds, which are covered by more specific strategic plans.

The Water & Sewer Fund is \$438,971 or 9/10% less than the target 50% fund balance due to fund balance appropriation related to one-time capital purchases. The Mass Transit negative fund balance is due to a backlog of Federal grant reimbursements that have not been received yet. Full reimbursement is expected to occur this calendar year and the fund balance is expected to be positive. The Solid Waste fund balance shortage of \$166,385 or 1.1% is due to the transition of the Environmental Services division from the General Fund to the Solid Waste

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Fund. This was projected in the transition plan and will be corrected when the plan is fully implemented in Fiscal Year 2016-17.

The table below summarizes changes in annual fund balances/retained earnings, including early estimates for June 30, 2016:

CITY OF HIGH POINT FUND BALANCE AVAILABLE FOR APPROPRIATION									
FUND	ACTUAL JUNE 30, 2014	ESTIMATED BALANCE JUNE 30, 2015	APPROPRIATED FY 2015-16	ESTIMATED BALANCE JUNE 30, 2016	FUND BALANCE POLICY	FY 2015-16 PROPOSED EXPENDITURES	FUND BALANCE MINIMUM	RESERVE % OF EXPENDITURES	AMOUNT ABOVE MINIMUM FUND BALANCE
GENERAL	13,316,553	18,161,184	2,471,827	15,689,357	10%	102,416,709	10,241,671	15.3%	5,447,686
GENERAL DEBT	17,840,940	16,550,392	768,617	15,781,775	n/a	9,026,142	n/a	n/a	n/a
ECONOMIC DEV.	1,771,019	1,452,610	282,000	1,170,610	n/a	757,000	n/a	n/a	n/a
WATER & SEWER	22,809,520	25,271,022	1,310,707	23,960,315	50%	48,798,571	24,399,286	49.1%	(438,971)
ELECTRIC	14,887,886	15,462,320	2,447,812	13,014,508	10%	130,187,034	13,018,703	10.0%	(4,195)
MASS TRANSIT	(2,173,993)	(762,465)	-	(762,465)	10%	3,894,009	389,401	-19.6%	(1,151,866)
PARKING	297,843	385,921	48,216	337,705	10%	374,378	37,438	90.2%	300,267
SOLID WASTE	787,683	1,475,017	159,480	1,315,537	10%	14,819,220	1,481,922	8.9%	(166,385)
STORMWATER	882,360	1,287,237	159,137	1,128,100	10%	3,978,691	397,869	28.4%	730,231
<b>TOTAL</b>	<b>70,419,811</b>	<b>79,283,238</b>	<b>7,647,796</b>	<b>71,635,442</b>		<b>314,251,754</b>	<b>49,966,290</b>	<b>22.8%</b>	<b>4,716,767</b>

**CONCLUSION**

I am pleased to present to you a budget that addresses the enhancement of livability, transparency, accountability and infrastructure in High Point. This budget continues to provide the quality programs and services our residents have come to expect and enjoy. High Point's financial condition is stable and strong. The FY 2015-16 Budget is balanced, meets all statutory requirements, and addresses many of the critical issues that Council has expressed interest in addressing.

I want to acknowledge all of the staff members who assist in the preparation of this policy document. Their efforts and professionalism are appreciated. I also thank the Mayor and City Council for your leadership and commitment to the City of High Point.

Respectfully submitted,

Greg Demko  
City Manager