TOWN OF WILKESBORO
"Where the Mountains Begin"
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BUDGET MESSAGE

May 5, 2025

To the Town of Wilkesboro Mayor, Council and Citizens:

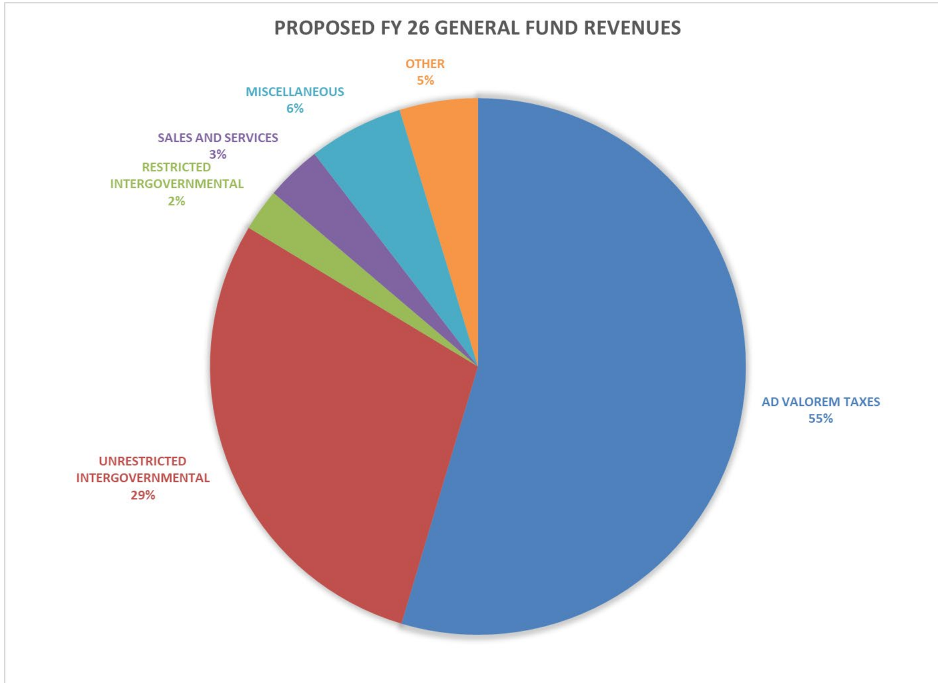
I am pleased to present the recommended budget for the Fiscal Year 2025-2026, prepared in accordance with NCGS 159.11, The North Carolina Local Government Budget and Fiscal Control Act. All funds within the proposed budget for the General and Utility Funds are balanced, and all revenues and expenditures are identified for the fiscal year 2025-2026.

The FY 2026 budget was developed based on information presented and discussed during the Town's strategic planning retreat on February 24, 2025. An unbalanced budget was presented at a budget work session on March 14, 2025, to Council. These meetings provided staff with information about the Town's priorities and needs for the upcoming year. Upcoming work sessions will provide staff and the Town Council opportunities to further refine the budget document.

The inclusion of the Town Council's mission and vision, focus areas, values, and goals is critical to the annual budget process. These policy statements and directives provide staff direction needed to formulate annual budgets which align tax and ratepayer resources with the needs and desires of the community. Alignment of budgetary planning with strategic direction ensures continued financial sustainability and effective delivery of public service.

The recommended budget totals $19,265,000 for all Town operations, capital improvements, and debt service, reflecting a slight 3.7% increase from the current budget. The slight increase is attributed to steady utility revenues, growth from the property revaluation, and increases in unrestricted revenue streams.

In the proposed General Fund budget, a tax rate of forty-eight cents (.48) per $100 of valuation is recommended, consistent with the current year. A property owner who has real property of $300,000 would receive a tax bill of $1,440. Anticipated ad valorem taxes are estimated at $4,525,000 based on a property tax collection rate of 99%. This amount has increased by $1M over the last year due to the county wide property revaluation. Ad valorem revenue remains the most important and stable revenue source for local governments.



The general reappraisal of real property in Wilkes County last occurred in 2019. By state statue, counties are required to do a revaluation of all property at least every 8 years. State law requires that units of local government publish a revenue-neutral tax rate in the budget immediately following the completion of the general reappraisal of real property. The purpose of the revenue-neutral tax rate is to provide citizens with comparative information.

The FY 2026 operating budget follows the general reappraisal of real property for the Town of Wilkesboro. The revenue-neutral tax rate, as defined by G.S. 159-11(e), is the rate that is estimated to produce revenue for the next fiscal year equal to the revenue for the current fiscal year if no reappraisal had occurred. The rate is then adjusted by a growth rate equal to the average annual percentage increase in the tax base due to improvements since the last general reappraisal.

The reappraisal produced a tax base of $952,390,483 for the Town of Wilkesboro. The tax levy for the current fiscal year is $3,528,000, and the growth rate since the last general reappraisal is 2.53%. Using the formula mandated by state law, the revenue-neutral tax rate for the Town of Wilkesboro is 38 cents. The proposed property tax rate is 48 cents which is the same property tax rate for the current year.

The Town saw 55% growth of real property tax values, while business personal property valuations dropped 30%. This led to a net increase in total property valuation of 28% based on data provided by the County at the time of this presentation. The increase is one of the largest jumps in recent memory; however, the Town saw less growth comparatively to other areas of the county. Unprecedented inflation since the COVID pandemic has outpaced natural growth since the last revaluation in 2019.

There is no utility rate increase proposed for the FY 2025-2026 year. The Town has been diligent in raising rates over the last several years to keep pace with rising operating costs and in preparation for large capital projects. Therefore, the Utility Fund is in a good financial position to continue operating at current rates. Large capital projects including the Wastewater

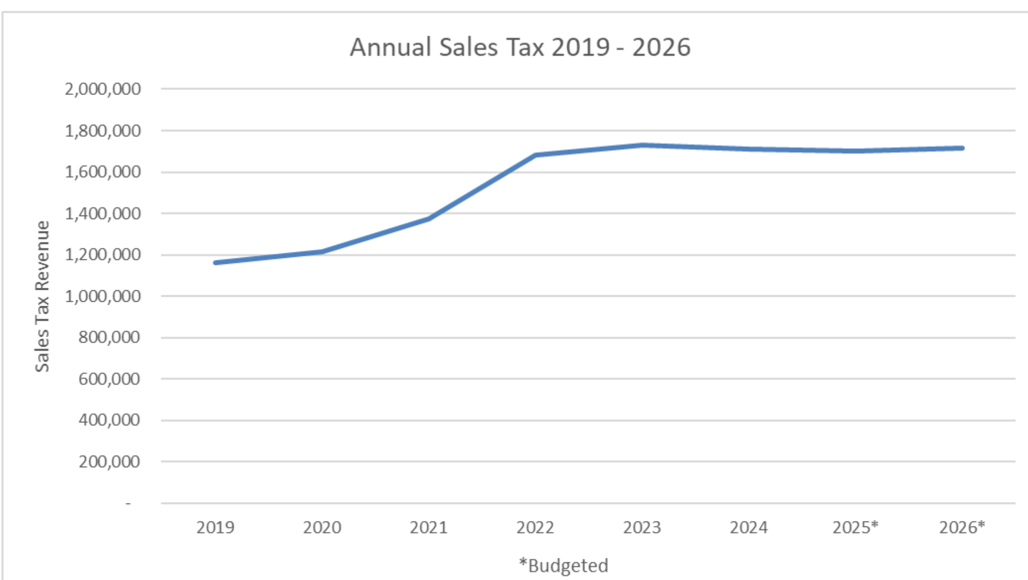
Treatment Expansion Project, and the Joint Water In-Take Project with North Wilkesboro will have significant debt service payments upon completion. With these projects on the horizon, future utility rate increases may be needed. It is imperative that the Town is financially prepared for these capital projects.

Water and sewer fees at current rates generate $10,210,000, accounting for approximately 53% of the total budget. Residential customers who use an average of 3,000 gallons per month receive a combined water and sewer bill of $20.17. This remains the lowest rate in the state – less than one-third of the statewide median charge of $68.57 for the same level of service.

OTHER REVENUES

Local Option Sales Tax: Retail sales in North Carolina have experienced unprecedented growth since 2020. FY 2024 saw a small downturn in revenue, but year-over-year the Town is up 1.9%. The Town does not anticipate any material growth in sales tax revenue for the FY 2025-2026 budget year, however, sales tax data continues to emerge. The Town receives four (4) sales tax allocations:

(1) Article 39 one-cent tax, which is the original local government sales and use tax dating from 1971.
(2) Article 40 (1983 one-half cent) tax
(3) Article 42 (1986 one-half cent) tax
(4) (4) Article 44 (2001 one-half cent) tax.
(5) The Town's sales tax revenues are distributed on a per capita basis. It is estimated that the Town will receive $1,715,000 in the fiscal year 2025-2026. This amount is level with the revenue generated in fiscal year 2024-2025.



Unrestricted Intergovernmental: Utility Franchise Tax - Each town's share of the utility franchise tax is based on actual receipts from electric, telephone, and natural gas services within the municipal boundaries during the fiscal year. The utility franchise tax is estimated to yield $628,000, slightly higher than FY 2024-2025 due to forecasted growth in the electric franchise tax.

Restricted Intergovernmental: Powell Bill Allocation - These funds, unlike other State-shared taxes, are limited in use. N.C.G.S. 136-413 directs that the money be spent "only for the purpose of maintaining, repairing, constructing, reconstructing, or widening of any street or public thoroughfare including bridges, drainage, curb and gutter, and other necessary appurtenances within the corporate limits of a municipality or for meeting the municipality's proportionate share of assessment levied for such purposes." Three quarters of the proceeds are distributed on a per capita basis, while the remaining quarter is distributed based on the number of miles of non-state streets in the town. Estimated receipts from the Powell Bill Allocation in FY2025-2026 are $140,000, which is slightly higher than prior years.

Fund Balance: The proposed budget does not include a fund balance appropriation. As of June 30, 2024, the fund balance in the general fund was $2,418,295. Unassigned fund balance totaled $754,392, or 9.1% of General Fund expenditures. The Town's Fund Balance Policy requires an unassigned fund balance range of 20%-40% of budgeted expenditures. This year's budget was prepared in a conservative manner with the expectation of increasing unassigned fund balance back within the targeted range.

EXPENDITURES BY CATEGORY

Personnel: This category of expenditures accounts for $8,429,300 or 44% of the total budget. It covers salaries and wages, FICA, retirement, and other miscellaneous benefits for 103 full-time employees, 6 part-time employees, 3 part-time policemen, 32 part-time and volunteer firemen, and 5 elected officials. The budget includes rising retirement costs and the transition of 5 part-time positions to full-time employees.

The budget allocates $2,052,000 for group health and dental insurance for 108 employees, 5 elected officials, and 9 retirees. Health insurance costs have remained stable over the past two years following a period of rapid increase. The Town's investment in employee health benefits is a valuable recruitment and retention tool, with the continuation of the wellness plan as part of the group health plan. Various wellness initiatives have been implemented and will continue to be explored.

The budget contains provisions to allow for a 2.5% cost-of-living increase in July for all employees, which is closely aligned with the US Bureau of Labor Statistics CPI for March 2024.

Approximately $80,000 has been budgeted for training and travel this year. This funding will be used to enhance job skills, gain knowledge of the latest equipment and technology, and to remain up to date on a variety of issues that impact the Town. Internal training will focus on safety, the use of technology, and general compliance.

Operating Expenditures: This category of expenditures accounts for $6,041,700 or about 31% of the total budget. These expenditures include costs other than personnel and capital outlay that are required for the operations of the Town. This category decreased by 2% over the prior year budget. This is a testament to staff's diligence towards efficiency and "doing more with less," as the saying goes.

Capital Outlay: This category of expenditures accounts for $989,300 or 5.1% of the total budget. It covers the purchase of equipment, utility projects, and other items that are too permanent in nature to be considered expendable at the time of purchase and have a value greater than $5,000. Traditionally, the Town purchases vehicles as capital items funded through the budget. However, with the transition to Enterprise Fleet Management, new Town vehicles will be financed through leasing rather than outright purchase. While fleet planning is still part of the budget process, it is now accounted for in the operating budget. Items proposed in the General Fund include a debris truck, repairs to the elevator at Town Hall, and thermal imagers for the Fire Department. In the Utility Fund, planned capital items include a motor control center at the water plant, a huber press rebuild, upgrades to utility lines, and a CAT backhoe.

Debt Service: Debt service accounts for 5.4% or $1,047,750 of the total budget. This category represents commitments that the Town has entered for substantial equipment or projects. Equipment financing is sometimes employed to spread costs over time, reflecting the period of service to citizens, such as fire trucks and utility lines. Therefore, those funding debt service through tax dollars are the beneficiaries of the equipment. In other cases, large-scale projects make it impractical to pay in cash when interest rates are favorable, as with certain utility projects.

BALANCED BUDGET

The Fiscal Year 2025-2026 budget summary of revenues and expenditures for all funds is:

FUND	**REVENUES**	**EXPENDITURES**
General	$ 9,000,000	$ 9,000,000
Water & Sewer	$ 10,265,000	$ 10,265,000
TOTAL	**$ 19,265,000**	**$19,265,000**

CONCLUSION

The budget presented above, along with detailed documents, reflects the current challenges and opportunities facing our community, it remains flexible enough to uphold our high customer service standards and seize opportunities for community enhancement.

With various grant funds, state, and federal resources becoming available, there is potential to continue leveraging these funds to achieve community goals such as improving streets and sidewalks, providing recreation opportunities, strengthening utility systems, and fostering outdoor economy growth. The future is bright in the Town of Wilkesboro.

This budget proposal originates from the Town Manager and staff. However, it is not final and may not necessarily reflect what the Town Council will approve. The Council will conduct a thorough review of the proposal to determine the appropriate revenue and expenditure program for the upcoming year.

Respectfully submitted,

Kenneth D. Noland
Town Manager