



TOWN OF WILKESBORO

"Where the Mountains Begin"

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BUDGET MESSAGE

May 6, 2024

To the Town of Wilkesboro Mayor, Council and Citizens:

I am pleased to present the recommended budget for the Fiscal Year 2024-2025, prepared in accordance with NCGS 159.7, 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 2024-2025.

The recommended budget totals \$18,652,000 for all Town operations, capital improvements, and debt service, reflecting a slight 0.20% increase from the current budget. The budget stability is attributed to a sales tax revenue plateauing, minimal growth in property taxes, and limited capital purchases.

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 \$150,000 will still receive a tax bill of \$720. Anticipated ad valorem taxes are estimated at \$3,516,480 based on a property tax collection rate of 99%. This amount has increased by \$40,000 over the last year. While this growth aligns with past trends, the Town expects an increased revenue boost in FY 2026 due to the county-wide revaluation.

In the Utility Fund, I propose a 7.5% rate increase effective October 1, 2024. Given both the current and potential future projects involving this fund, I believe it to be in our best interest to raise rates to maintain our current service levels and prepare for future capital projects already identified. A rate increase is also needed to keep up with the operating and maintenance costs associated with aging infrastructure. With expansions on the horizon for both the water and wastewater treatment facilities, it is imperative that we be financially prepared for these capital projects.

Water and sewer fees and charges at current rates generate \$9,750,000 or about 53% of the total budget. After the rate increase in October, residential customers using an average of 3,000 gallons a month will receive a combined water and sewer bill of \$20.17 per month. This bill remains the lowest in the state at less than 1/3 of the median charges for the same service statewide of \$65.00.

OTHER REVENUES

Local Option Sales Tax: Retail sales in North Carolina have experienced unprecedented growth since 2020. However, sales tax revenue is showing signs of slowing down. The Town does not anticipate any growth in sales tax revenue for the FY 2024-2025 budget year. 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

DALE ISOM
Mayor

KENNETH D. NOLAND
Town Manager
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DONNA RHODES
Town Clerk

NELLIE ARCHIBALD
RUSS FERREE
ANDREW "ANDY" SOOTS
Council Members

JIMMY HAYES
Mayor Pro Tem

- (3) Article 42 (1986 one-half cent) tax
- (4) (4) Article 44 (2001 one-half cent) tax.

The Town's sales tax revenues are distributed on a per capita basis. It is estimated that the Town will receive \$1,700,000 in the fiscal year 2024-2025. This amount is level with the revenue generated in fiscal year 2023-2024.

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 \$598,000, slightly higher than FY 2023-2024 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 FY2024-2025 are \$127,000, consistent with the prior year's budget.

Fund Balance: The proposed budget does not include a fund balance appropriation. As of June 30, 2023, the fund balance in the general fund stood at \$2,692,072, a decrease of (\$47,719) compared to the prior year. There is a negative unassigned fund balance of (\$824,105) primarily due to a timing issue with grant reimbursements not being realized until after the budget year ended. While appropriated fund balance is a tool used to prepare a balanced budget as required by the Fiscal Control Act, it is rarely needed to cover expenditures. The Town's Fund Balance Policy requires an unappropriated balance range of 20%-40% of budgeted expenditures. With the timing issue now resolved, and expenditures trending well below revenues in the general fund, fund balance will be in a better position at the fiscal year end.

EXPENDITURES BY CATEGORY

Personnel: This category of expenditures accounts for \$7,865,700 or 42% of the total budget. It covers salaries and wages, FICA, retirement, and other miscellaneous benefits for 103 full-time employees, 6 part-time employee, 3 part-time policemen, 32 part-time and volunteer firemen, and 5 elected officials. The budget request includes rising retirement costs and the addition of a new full-time position in the Parks and Recreation Department, and a part-time position in the IT department.

The budget allocates \$2,013,000 for group health and dental insurance for 103 employees, 5 elected officials, and 7 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 3.5% cost-of-living increase in July for all employees, aligned with the US Bureau of Labor Statistics CPI for March 2024, making it a true COLA.

Approximately \$75,000 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 \$6,069,800 or about 33% of the total budget. These expenditures include costs other than personnel and capital outlay that are required for the operations of the Town. Overall, this category has remained constant when compared to the prior year. 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 \$1,099,000 or 5.9% 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 included in the General Fund are new servers for the Wastewater and Fresh Water plants, a metal storage facility for Public Works, and repairs to the Town Hall roof and elevator. In the Utility Fund planned capital items include a gearbox replacement, SCADA improvements, a wave sampler, manhole rehabs, and improvements to utility lines.

Debt Service: Debt service accounts for 5.8% or \$1,091,500 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 with Police vehicles and Fire trucks. 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 2024-2025 budget summary of revenues and expenditures for all funds is:

FUND	REVENUES	EXPENDITURES
General	\$ 8,600,000	\$ 8,600,000
Water & Sewer	\$ 9,932,000	\$ 9,932,000
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TOTAL	\$ 18,532,000	\$ 18,532,000
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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, expanding parks, strengthening utility systems, downtown revitalization, and fostering outdoor economy growth. It's an exciting time for our Town!

This budget proposal originates from the Town Manager. 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
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Town Manager