



TOWN OF WILKESBORO

"Where the Mountains Begin"

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BUDGET MESSAGE

May 4, 2026

To the Town of Wilkesboro Mayor, Council and Citizens:

The proposed budget for the Fiscal Year 2026-2027 has been 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, Utility, and Powell Bill Funds are balanced, and all revenues and expenditures are identified for the fiscal year 2026-2027.

The FY 2027 budget was developed based on information presented and discussed during the Town's work sessions over the course of several months. These meetings provided staff with information about the Town's priorities and direction for the upcoming year. Work sessions in May and possibly June will provide staff and the Town Council with opportunities to further refine the budget document.

The budget as presented does not reflect the staff recommendation to hold the tax rate at \$0.46 per \$100 of valuation. This recommendation was made because the Town remains on the Local Government Commission's Unit Assistance List due to low unassigned fund balance. Maintaining the current tax rate will not fully resolve the fund balance issue in the upcoming fiscal year, but it would be a prudent first step toward strengthening fund balance and supporting long-term fiscal stability. In the current fiscal year, which was a revaluation year, the tax rate was set \$0.08 above the revenue-neutral rate. That increase has helped advance the Town's strategy to rebuild fund balance. Further reductions in the tax rate would only prolong the time needed to meet the Town's policy goal of maintaining unassigned fund balance at 20% to 40%.

Many difficult decisions were necessary to present a balanced budget in light of the Town's current financial position and the Council's expectation of reducing property taxes. Cuts to programming, services, personnel, benefits, and contributions to nonprofits were not made lightly.

DALE ISOM
Mayor

KENNETH D. NOLAND
Town Manager
townmanager@wilkesboronc.org

DONNA RHODES
Town Clerk

JIMMY HAYES
DOUG SETZER
ANDREW "ANDY" SOOTS
Council Members

RONNIE WALSH
Mayor Pro Tem

The recommended budget totals \$19,200,000 for all Town operations, capital improvements, and debt service, reflecting a slight 1.3% increase from the current budget. The slight increase is entirely within the Utility Fund, and is attributed to steady utility revenues, growth from the property revaluation, and increases in unrestricted revenue streams.

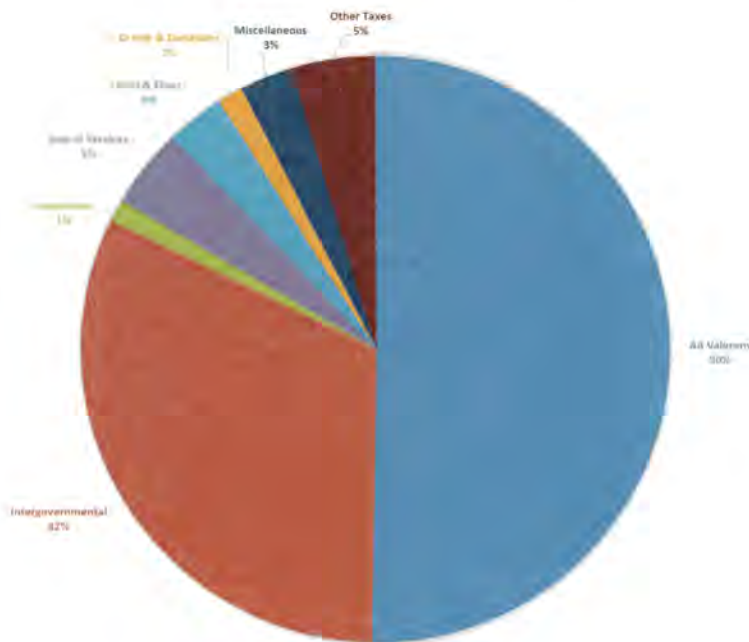
REVENUES BY FUND

General Fund

Ad Valorem Tax: In the proposed General Fund budget, a tax rate of forty-eight cents (.46) per \$100 of valuation is recommended by staff, consistent with the current year. Under the direction of Town Council, the budget presented is at a tax rate of forty-five cents (.45) per \$100 of valuation.

A property owner who has real property of \$300,000 would receive a tax bill of \$1,350. Anticipated ad valorem taxes are estimated at \$4,222,200 based on a property tax collection rate of 99%. This amount has decreased by \$115,000 over the current budget in part to releases and corrections by the County after the revaluation. Ad valorem revenue remains the most important and stable revenue source for local governments.

FORECASTED GENERAL FUND REVENUES

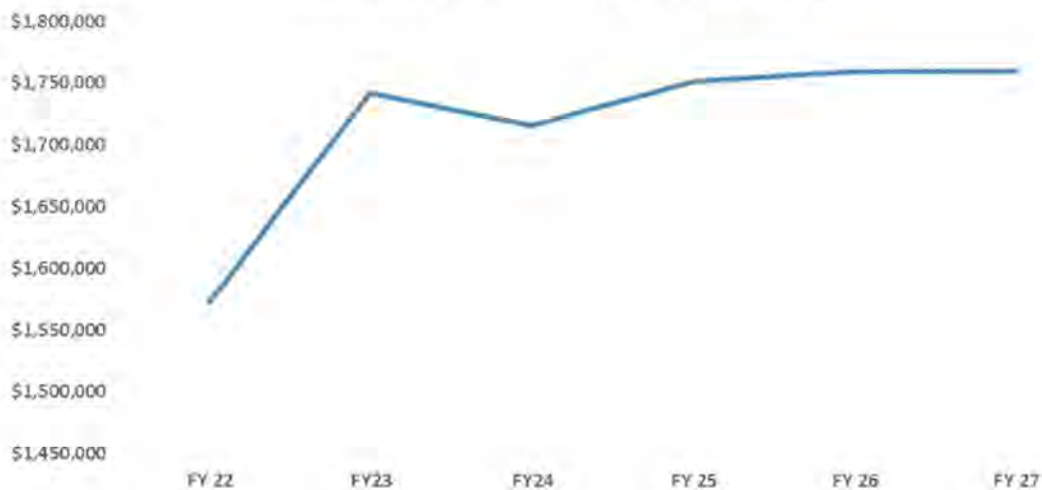


User Fees: The proposed budget recommends an increase of \$6 to the solid waste fee, the first increase since 2018. Currently, the cost for garbage and recycling is \$10 per month, this would move that cost to \$16, which is still the lowest rate in this area. In the current budget year, Wilkes County raised the tipping fees at the landfill resulting in a 69% increase to the landfill tipping fee line item in the Sanitation Department’s budget. Solid waste operates at a loss, which is common for most municipalities who service their own waste and recycling. However, with aging equipment, increased fees, and supply cost, it was necessary to increase the fee to help close the gap.

Local Option Sales Tax: Retail sales in North Carolina have experienced unprecedented growth since 2020. FY 2024 saw a small downturn in revenue, but strongly rebounded in FY 2025, with trending growth in the current year. At the end of April 2026, sales tax is up 1.7% year over year, which is a return to a more typical growth rate. The Town does not anticipate any material growth in sales tax revenue for the FY 2026-2027 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) 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 \$1,760,000 in the fiscal year 2026-2027. This amount is level with the estimated revenue generated in fiscal year 2025-2026.

Sales Tax Distribution Since FY 2022



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 \$650,000, slightly higher than FY 2025-2026 due to forecasted growth in the natural gas 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 FY 2026-2027 are \$145,000, which is slightly higher than prior years. Beginning in FY 2026, Powell Bill Funds are budgeted separately from the General Fund and will be reflected in a separate fund on the budget ordinance.

Fund Balance: The proposed budget does not include a fund balance appropriation. As of June 30, 2025, the fund balance in the general fund was \$2,317,910. Unassigned fund balance totaled \$273,859, or 3.3% of General Fund expenditures. The Town's Fund Balance Policy requires an unassigned fund balance range of 20% - 40% of budgeted expenditures. As with every budget adopted, the goal is to build fund balance back to the range set in the Town's policy. The proposed budget for FY 2026 – 2027 aims to do that but will face challenges if there are any major unexpected expenditures.

Utility Fund

Water and Sewer Rates: The proposed budget includes a utility rate increase of 7.5% to the per thousand-gallon rate for water and sewer sales. The rate increase does not apply to the base rates users are charged. Also proposed with the rate change is to increase the gallon allowance that is included in the base rate from 3,000 gallons to 5,000 gallons. For a residential customer their base bill will remain at \$20.17 as long as they use less than 5,000 gallons per month. 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.

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. 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. These projects are now under construction with planned completion dates in 2028. With the Wastewater Treatment Plant Expansion, there are expected cost savings in operating the plant that will help offset the debt service payments; however, rates are analyzed on an annual basis to ensure all operating and debt needs are fulfilled, and future utility rate increases may be needed.

Water and sewer fees at the proposed rates will generate \$10,435,000, accounting for approximately 97.8% of the revenues in the Utility Fund budget, and 55% of the Town wide budget. The Utility Fund, also known as the Water and Sewer Fund, operates more like a business than the General Fund. The fees collected fully sustain the operations and capital needs of the water and sewer system. It is important to remember that each fund stands alone – meaning only water and sewer fees can fund the Utility Fund, and revenues generated in the General Fund should support General Fund activities.

EXPENDITURES BY CATEGORY

Personnel: This category of expenditures accounts for \$7,946,000 or 44% of the total budget. It covers salaries and wages, FICA, retirement, and other miscellaneous benefits for 97 full-

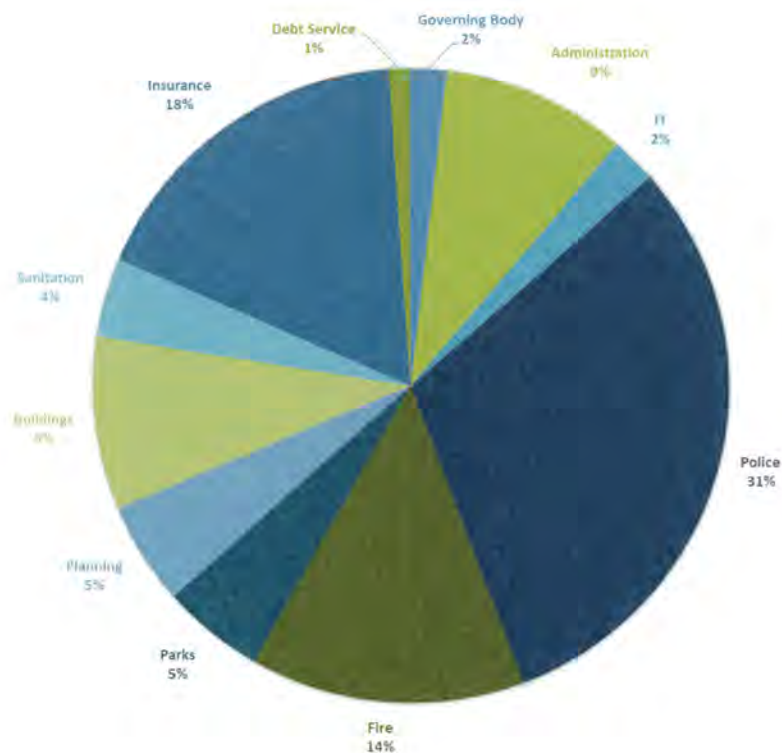
time employees, 4 part-time employees, 1 part-time policemen, 32 part-time and volunteer firemen, and 5 elected officials. The budget includes rising retirement costs and the elimination of two full-time employees in the General Fund.

The budget allocates \$2,339,000 for group health and dental insurance for 100 employees, 5 elected officials, 9 ABC system employees, and 13 retirees. Insurance renewal is still being negotiated and is subject to change before the final budget is adopted. Health insurance costs have increased dramatically over last year after years of stable pricing. 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 1.5% cost-of-living increase in July for all employees. The US Bureau of Labor Statistics CPI for March 2025 was 3.3%, the highest rate in two years. Core inflation was at 2.6% year over year.

The travel and training line items in all departments were cut. A total of \$70,000 has been allocated in the proposed budget for staff development, a decrease of 13.6%. This funding is critical to provide opportunities for employees to gain new knowledge, enhance current skills, and remain up to date on issues and new laws that impact the Town. Most certifications that employees currently hold require a minimum number of hours of continuing education to hold the certification. Internal training will focus on safety, the use of technology, and general compliance.

PROPOSED GENERAL FUND EXPENDITURES



Operating Expenditures: This category of expenditures accounts for \$5,741,500 or about 30% 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 for the third consecutive year, and by 5% over the prior year budget.

Capital Outlay: This category of expenditures accounts for \$631,400 or 3.3% 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. The Town is considering increasing the capital threshold limit to better align with industry best practices and Federal procurement guidelines.

Items proposed in the General Fund include the roof repair to Town Hall, salt spreader for winter weather, the resurfacing of sport courts at Cub Creek Park, and a thermal imager for the Fire Department. In the Utility Fund, planned capital items for the Water Plant include the replacement of the motor control center, AUMA actuator, and rebuilding of the chlorine room. For the Wastewater Department, capital items proposed are UV bulbs and sleeves, mobile press, auger, aerator motor, and a rebuild of the solids press.

The Town is in the second full year of our partnership with Enterprise Fleet Management to procure and finance vehicles. This partnership has worked to reduce the age of the Town’s fleet and reduce costs associated with the repair and maintenance of aging vehicles. There are no new vehicles planned for order in the upcoming budget year. The vehicles we have ordered in prior years are accounted for in the operating budget of both the General and Utility Funds.

Debt Service: Debt service accounts for 5.2% or \$1,006,100 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 2026-2027 budget summary of revenues and expenditures for all funds:

Fund	Revenues	Expenditures
General	\$8,395,000	\$8,395,000
Utility	10,660,000	10,660,000
Powell Bill	145,000	145,000
Total	\$19,200,000	\$19,200,000

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