

BUDGET MESSAGE

FY 2025-2026 ANNUAL OPERATING BUDGET

May 20, 2025

The Honorable Mayor Rick McCraw
The Honorable Mayor Pro Tempore Jane Cole
The Honorable City Councilwoman Terri Fowler
The Honorable City Councilman Michael Lane
The Honorable City Councilman Tyler Bowles

Mayor and City Council:

In accordance with North Carolina's Local Government Budget and Fiscal Control Act, this balanced budget recommendation for all funds for the City of King's operations is hereby presented to you for the fiscal year 2025-2026. A notice of submission of this budget to the City Council will be published in accordance with the requirements of G.S. 159-12, as well as other State and Federal requirements. A copy of this budget has been placed on file with the City Clerk, on the City's website, at the King Public Library and King Senior Center for public inspection during normal business hours.

The attached balanced budget with supporting documentation is presented as an estimate of the City of King's operating revenues and expenditures for the upcoming fiscal year (FY25-26). It is a product of weeks of collaboration with Department Heads, city staff and several budget preparation meetings with the City Council. It is also the result of Department Head requests and the direction detected by staff in the budget preparation meetings of the City Council. It is now the duty of the City Council to review, discuss, consider citizen, and staff feedback and amend the proposed balanced budget as you wish, and ultimately adopt it.

This budget message highlights the major items essential to providing services to the citizens of the City of King while addressing short-term and long-term priorities. This proposed balanced budget ensures the continuity of City operations, progresses the City's fleet, and continues capital improvements while limiting tax and fee increases to our citizens. The goal for this proposed balanced budget was to also focus on taking care of our current employees, facilities, and infrastructure while looking toward King's future needs and addressing those strategically.

The quality of King's continued growth and prosperity will depend upon how well City services can adjust to that growth. Most full-service cities (those which provide many, if not all, services like fire, police, garbage collection, inspections, street maintenance, water/sewer, planning, etc.) have tax rates higher than King's. Currently, King's tax rate is \$0.47. State law requires that in the year in which a general reappraisal of real property has been conducted, a revenue-neutral property tax rate statement shall be included in the budget message. Using the formula mandated by North Carolina General Statute 159-11(e). The revenue-neutral tax rate for the City of King is \$0.41. Our tax rate is considered low for a full-

service city, and it could possibly cause a couple of issues. First, a low tax rate encourages an influx of new residents. New residents build houses and demand city services. Studies have shown that residential customers cost more to serve than they provide in tax revenue – this slowly but surely drains the city's bank account. Secondly, as most elected leaders are averse to raising taxes, fund balance (the city's funds for cash flow, emergencies, and future capital purchases) is usually tapped, which places the City in a precarious financial situation, if left unattended. The City of King General Fund is currently relatively healthy and there is no change to the tax rate recommended in this budget recommendation for FY25-26.

Budget Highlights

GENERAL FUND

A. REVENUE PROJECTIONS

The revenue projections proposed within this budget are based upon the State of North Carolina maintaining its current course in distributing state-collected local revenues. Any disruption of these revenues, or any new unfunded mandates, could result in a reduction in the level of services that we provide for our citizens.

Property Tax revenues remain our largest single source of revenue for the General Fund. The projected tax collection rate used is 98.5% for budgeting purposes. We use this rate based on our average collection rate over the past few years. Using a rate this high requires the city to use nearly every dollar collected to balance the budget. Ideally, a rate of 96% or 97% would be used, and any tax revenues collected above that percentage would be used to strengthen the fund balance. \$0.01 of our tax rate represents around \$107,000 of revenue for the General Fund.

B. EXPENDITURES

The following major purchases/personnel are proposed for the General Fund expenditures for FY 25-26:

- 1) Purchase a new two-bay garage for the BATT-X vehicle purchased last year for the Police Department.
- 2) Purchase of 1 new fully equipped vehicle in the Police Department.
- 3) Purchase of "the glove", vest, ammo, K9 expenses, rifle mounts, etc... for the PD.
- 4) Street resurfacing, paving the old Police Department parking lot, and restamping the downtown crosswalks.
- 5) Rescue jack, Hurst R 521 E3 Connect Ram, mobile data terminal (MDT), and a used vehicle for the Fire Department.
- 6) Efforts toward a new Land Use Plan.
- 7) Purchase of a new leaf truck for Solid Waste.
- 8) Purchase of a used service truck for Public Works,
- 9) Efforts toward adding onto the parking lot at Rec Ac
- 10) Replacement of the restroom roofs at Central Park.
- 11) The second order of replacement pavers for the Vet Memorial.

C. SALARIES

The proposed General Fund budget includes the second part of the 2023-24 Pay Study recommendations for FY25-26 performed by PTRC that City Council approved in previous fiscal year budget. The main objective of the city council and staff was to concentrate on the recruitment of city staff as well as retaining the existing city staff. Along with the second part of the pay study a 3% Cost of Living Adjustment is included. As a service-providing organization, employees are the City's most important and most expensive asset. Maintaining a competitive wage is important in the retention of good employees.

D. PERSONNEL

As the city's population grows, so does the demand for services from citizens. Staffing levels must grow to meet those needs. Recommended in this budget are additional funds for a new employee in Public Works, the Fire Department and in Parks and Recreation.

ENTERPRISE FUND

A. REVENUE PROJECTIONS

Recommended for FY 25-26 is an increase in the differential utilities rate for outside the corporate limits utility customers. The current outside rate is 1.35 and is proposed at 1.40. Two years ago, we reduced wastewater rates by 5% and absorbed the 9% increase, so essentially, we had a 14% reduction in wastewater rates that year. Last year we absorbed the 8.5% increase, which makes a total reduction in wastewater rates of 22.5%. This year, we are expecting another 8.5% increase which is also being absorbed in this budget. That makes a total reduction of 31% in wastewater rates over three years. A water rate increase is suggested but not included, based on the rate study performed years ago by Denny Martin of Martin/McGill Engineering. Revenue projections are increased over the previous fiscal year's budget primarily due to growth and the proposed differential rates. The fiduciary responsibility of the Council regarding the Enterprise Fund is to set rates that ensure the present and future health of the water and sewer infrastructure. Overall, the Enterprise Fund is relatively healthy.

B. EXPENDITURES

The following major purchases/personnel are proposed for the Enterprise Fund expenditures for FY 25-26:

- 1) Roof replacement for the Water Treatment Plant.
- 2) Insulation improvements and new garage doors for the Maintenance Shop.
- 3) The purchase of a service truck for the water department.
- 4) Replace a 2006 vehicle for the water department

- 5) Purchase of a boring tool.
- 6) Purchase of two used trucks for wastewater department
- 7) Purchase of a sewer camera

C. SALARIES

The proposed Enterprise Fund budget includes the second part of the 2023-24 Pay Study recommendations for FY25-26 performed by PTRC that City Council approved in previous fiscal year budget. The main objective of the city council and staff was to concentrate on the recruitment of city staff as well as retaining the existing city staff. Along with the second part of the pay study a 3% Cost of Living Adjustment is included. As a service-providing organization, employees are the City's most important and most expensive asset. Maintaining a competitive wage is important in the retention of good employees.

D. PERSONNEL

As the city's population grows, so does the demand for services from citizens. Staffing levels must grow to meet those needs. Recommended in this budget are no new employees.

Summary

The proposed FY 25-26 annual budget has been a collaborative process that included Department Heads, city staff, and City Council, and it has again been determined as one of the smoothest budget preparations. Department Heads and, hopefully, City Council continue to enjoy this process again this year and deem it the approach for the future. This budget plan moves the city forward over the next year in both funds and will place the city in a stronger position at this time next year. This budget will also continue to make King a desired place to work, live, and visit.

Finally, despite the growing pains that King is experiencing, the city continues to be a vibrant and friendly community. This budget contains much of the expenditures necessary to service the needs of such a community. City employees are working diligently to raise the quality of life for citizens even as they face the challenge of increasing growth. King's citizens demand, and the city delivers, a high level of service. With the adoption of this proposed budget, the Council will ensure that the citizens of King will continue to receive service at a level necessary for the quality of life that originally attracted them to our fair City.

Respectfully submitted,



Scott Barrow
City Manager