

**TOWN OF VALDESE  
ANNUAL COUNCIL BUDGET REVIEW  
TUESDAY, APRIL 15, 2025 & WEDNESDAY, APRIL 16, 2025**

The Town of Valdese Town Council met on April 15 & 16, 2025, at 9:00 a.m., for the Annual Budget Review, in the Town Council Chambers at Town Hall, 102 Massel Avenue SW, Valdese, North Carolina. The Council meeting was live-streamed on YouTube @townofvaldese. The following were present: Mayor Charles Watts, Mayor Pro Tem Gary Ogle, Councilwoman Rexanna Lowman, Councilwoman Heather Ward, Councilman Glenn Harvey, and Councilwoman Melinda Zimmerman. Also present were: Interim Town Manager Bo Weichel, Town Clerk Jessica Lail, and Department Heads.

Absent: None

A quorum was present; however, no action was planned.

**DAY 1 – APRIL 15, 2025**

**CALL TO ORDER** At 9:00 a.m., Mayor Watts opened the meeting with an invocation and led in the Pledge of Allegiance to the Flag. Mayor Watts welcomed everyone to the Budget Retreat.

**BUDGET PROCESS** Interim Town Manager Bo Weichel provided an overview of the two key annual financial processes: the budget and the audit. The budget process spans from January to June and the audit runs from July through December. While they are separate tools with different objectives—budget planning looks ahead and the audit looks back—they are closely related.

Mr. Weichel outlined the budget development process, beginning with a mid-year departmental review in January. Departments receive worksheets, including salary and tax information, and build their budgets from zero. These were submitted to the Interim Manager in mid-February, who met with departments and made adjustments. The proposed budget presented at this meeting is balanced, with revenues matching expenditures—unlike last year, which began with a deficit.

Mr. Weichel noted, looking ahead, a second budget review is tentatively scheduled for May 12 if needed. The Manager's Budget Message will be completed by the end of May, and the goal is to finalize all documents by May 28. The budget will be officially presented to Council on June 2, with a public hearing scheduled for June 23.

Mr. Weichel encouraged an open, conversational format and invited questions throughout the presentation.

**GENERAL FUND OVERVIEW** Mr. Weichel provided a financial overview focused on the General Fund. He explained the differences between the General Fund (taxpayer-driven), the Utility Fund (consumer-driven), and Capital Project Funds (multi-year and roll over annually). He highlighted the purpose of fund balance, which includes emergency reserves, investment income, and avoiding Local Government Commission (LGC) scrutiny.

As of June 30, the Town's unassigned fund balance was \$6.9 million, equivalent to 102% of annual expenditures, indicating a strong financial position. This is a significant improvement from the 18% level noted in 2018. He reminded Council that while there is no official state minimum, the LGC monitors fund balance trends relative to peer groups and can issue warnings if reserves decline significantly.

Mr. Weichel also reviewed current-year fund balance appropriations totaling \$879,464, including major expenses such as the pool dome. A pending grant may reimburse a portion of this. Offsetting revenues and unspent funds are expected to balance these appropriations, likely maintaining the fund balance around 100% at year-end.

On debt service, he reported four outstanding obligations in the General Fund, totaling \$214,865 in FY25, which is just 2.92% of total expenditures—a low debt ratio. Notable items include the Town Hall and Splash Pad, both financed by 40-year USDA loans. He noted the cost of borrowing over long terms significantly increases total project costs but is sometimes necessary due to upfront funding limitations. Early payoff is possible and may be considered in the future, though it would reduce the fund balance. Mr. Weichel provided Council with a debt amortization schedule over the next 34 years.

Mr. Weichel outlined several budget challenges affecting the General Fund. These include a state-mandated 0.75% increase in retirement contributions, bringing the Town's rate to 14.41%, with law enforcement rates rising to 16.08%. Additional operating pressures stem from cost-of-living adjustments for employees, rising insurance and benefits costs, and a 5.2% increase in the Republic sanitation and recycling contract. Further details on sanitation and recycling will be presented separately. Other challenges include general inflation-related increases in equipment, materials, and services, along with aging facilities and the need for equipment replacement, as many town buildings are over 50 years old.

**GENERAL FUND OPERATING & CAPITAL SUMMARY** Mr. Weichel presented the General Fund budget summary, noting the proposed expenditures total \$7.9 million, with \$7.354 million for operating and \$546,000 for capital, balanced by an equal amount of projected revenue. A small surplus of \$2,392 is projected to be returned to fund balance, meaning no fund balance is used to balance the budget, which is a positive financial indicator.

He commended department heads for holding their operating requests nearly flat compared to the previous year (a difference of approximately \$16,000), despite various financial pressures. Key revenue sources include ad valorem (property) taxes and unrestricted sales tax, with the latter held flat due to cautious state forecasts. The appropriated fund balance line shows a negative number, indicating funds are being added back into savings, not drawn.

In a comparison of taxable values from FY2024 to FY2025, the Town saw an increase from \$538 million to \$557 million, driven largely by business investments and new equipment. However, residential taxable values declined by \$6.5 million due to damage reappraisals following Hurricane Helene. The Town's property tax revenue projection of \$2.287 million is based on a proposed tax rate of 41.5 cents and a collection rate of 98.89%, with additional expected revenues from public utilities, which are accounted for separately.

#### Rates & Fee Schedule:

During the budget discussion on rates and fees, Mr. Weichel noted that no increases are proposed for the Old Rock School in the upcoming fiscal year. Although a separate document outlining potential fee adjustments exists, those increases would not impact revenue until the following budget year, as events are already booked through 2026 based on current rates. Council was informed that fee adjustments could still be considered, especially in light of recent renovations to the facility. It was clarified that the Town does not set ticket prices for performances; those are determined by the artists or their promotion companies. However, the Town does sell tickets and receives revenue through ticketing fees and promotional packages. Depending on the act and agreement structure, some events have generated up to \$12,000 in revenue.

Concerns were raised by Council regarding the legality and risk management of signing event contracts prior to the adoption of a new budget. While staff indicated that these are revenue-based contracts and not direct expenditures, questions were asked about whether this practice is permissible and whether the Town Attorney reviews each contract. Staff noted that a standard contract template is used and has previously been reviewed by legal counsel, but individual agreements are not submitted for review. Councilman Harvey expressed concern over a past event at the Rock School where no contract was in place and emphasized the potential liability of such arrangements. Council requested that the Town Attorney be involved to review the contractual process and provide guidance.

For the Recreation Center, staff recommended keeping fees flat for the coming year. A comparison with similar regional facilities showed that Valdese is already at the higher end of the pricing scale. With the installation of the pool dome expected to be complete by fall, staff anticipate increased usage and revenue, which was factored into the budget.

In Public Works, a single fee increase was proposed for construction debris dumpster rentals. The current rate of \$75 would be raised to \$100. The dumpster, which replaced the old truck service, is typically used for a couple of days and remains a popular offering. There are no additional landfill fees, as residents already pay those through county taxes.

Significant changes were proposed to the Planning Department's fee schedule. Existing fees were minimal and not reflective of the department's work. Staff conducted a comparison with similarly sized municipalities and proposed new fees that better align with standard practices. These changes, set to take effect July 1, are intended to help offset departmental costs and encourage applicants to be more serious and prepared when submitting development requests.

Finally, the Fire Department proposed increases to certain inspection-related fees. A reinspection after an initial non-compliance notice would now cost \$100, and second or subsequent reinspections would increase to \$200. Additionally, the fire code fee schedule was streamlined, condensing two pages of itemized rates into a single page categorized by relevant fire code chapters. Although annual revenue from these fees remains low—less than \$500—they serve an important role in enforcing compliance and reducing liability.

In summary, Council expressed interest in reviewing the Rock School's rental rates and the broader contract process for event bookings. Legal review by the Town Attorney was requested to ensure proper procedures and liability protections are in place moving forward.

**GENERAL FUND REVENUE & GENERAL FUND DEPARTMENT OPERATING & CAPITAL:**

**GOVERNING BODY** Mr. Weichel reported that the Governing Body/Council budget showed an overall decrease, primarily due to the Council's decision to remove themselves from the group insurance program. This change significantly impacted the budget by reducing expenditures. Councilman Harvey noted that the cost to the Town for Council salaries, wages, and group insurance was \$72,000 in FY 2023-2024. For FY 2025-2026, that cost is reduced to \$42,000, reflecting a \$30,000 savings despite a small increase in salaries.

**ADMINISTRATION** Mr. Weichel noted approximately \$16,000 in salary savings for FY 2024-2025 and clarified that the FY 2025-2026 budget does not include a salary for a permanent town manager due to the uncertainty of hiring. The interim manager's salary is included, and adjustments will be made when a transition occurs. Attorney fees remain budgeted at \$80,000.

Capital outlay for FY 2025-2026 totals \$60,000 and includes:

- Replacement of one HVAC unit at Town Hall,
- A potential \$25,000 pay study, and
- Up to \$25,000 for financial planning and debt management services through First Tryon Advisors, who will present more details later.

**PUBLIC WORKS ADMINISTRATION/GARAGE FACILITIES** Mr. Weichel explained that Public Works encompasses several separate departmental budgets—Public Works Administration (facility and admin staff), Streets, Sanitation, and Grounds—in order to more accurately track service-related costs.

For the Public Works Administration budget, \$7,000 is proposed under capital outlay to replace an HVAC unit at the facility. No other significant changes were noted. He reminded Council that only the first column of the 10-year Capital Improvement Plan (CIP) reflects items included in the upcoming budget, while years two through ten are projections.

**PUBLIC WORKS GROUNDS & MAINTENANCE** Mr. Weichel explained for the Grounds and Maintenance department, the budget remains flat compared to the prior year, with no capital outlay proposed for this cycle. No significant changes or issues were identified.

**PLANNING DEPARTMENT** Mr. Weichel reviewed the Planning Department budget, noting that no salary is budgeted for a Planning Director. Instead, contracted services have increased to cover a proposed two-day-per-week agreement with the Western Piedmont Council of Governments (COG). The contract is for two years but includes a 30-day termination clause in case the Town hires its own Planning Director.

Council expressed concerns about the ongoing vacancy and the limited capacity of COG to handle both zoning and economic development. Suggestions were made to consider hiring a recent planning or public administration graduate, possibly with continued part-time COG support. Mr. Weichel stated the job posting remains open and broadly defined and said the Town may consider reaching out to universities for potential candidates after budget season.

**POLICE DEPARTMENT** Mr. Weichel explained the Police Department budget includes one capital item: the replacement of a patrol vehicle as part of the regular vehicle rotation plan. Leasing was previously considered but found to be more expensive long-term. Council discussed future staffing needs due to community growth and the potential role of a pay and organizational study in planning for those needs. Support was expressed for the study, with the note that funding its recommendations would be essential.

**FIRE DEPARTMENT** Mr. Weichel explained the Fire Department budget includes no capital outlay items for the upcoming year. Two positions—engineer and captain—remain vacant, resulting in some savings, though some of that is offset by current staff covering additional duties. These positions are still budgeted for the upcoming year. No major changes were reported.

**PUBLIC WORKS STREETS** Mr. Weichel explained the Street Department budget includes a \$65,000 capital outlay to purchase a new tractor-mower combination, replacing an older mid-1980s model. This item was previously removed from last year's budget per the Efficiency Committee's recommendation but has been re-included this year. The new equipment improves safety with an enclosed cab and is essential for maintaining road shoulders.

Discussion followed regarding the broader issue of whether it is cost-effective for the Town to continue handling all street and grounds work in-house versus contracting out services. Councilmembers expressed concerns about equipment costs, underused assets, and workforce efficiency. A study was previously conducted to explore outsourcing mowing and snow removal, but results showed limited contractor availability and high costs—approximately \$130,000 annually for mowing Town facilities alone, excluding mulch and fertilization. Snow plowing options were also limited due to contractors being tied up with NCDOT contracts.

Several members suggested that a management consulting firm could provide a deeper financial and operational analysis to inform future decisions. It was confirmed that the tractor-mower purchase is already included in the balanced proposed budget and would not require use of fund balance.

Mr. Weichel confirmed that the balanced budget includes funds for paving, with approximately \$325,000–\$350,000 allocated for FY 24–25. These funds will be transferred to the capital paving project fund, adding to the \$500,000 previously committed, resulting in a total of around \$850,000–\$900,000 available once a contract is in place. No current paving contract exists, as NCDOT is focused on other regions and has not renewed a Burke County contract. Additionally, Council requested a summary of all major and minor funds, including committed and restricted fund balances, to better understand the Town's overall financial position. Staff will aim to present this information in June.

**POWELL BILL** Mr. Weichel explained the Powell Bill budget, funded by state revenues based on street mileage, is projected to be higher this year due to recent trends. Since there is no current paving contract, \$125,000 remains allocated for future paving, while increased funding has been directed toward street patching and sidewalk repairs—raising the sidewalk budget from \$8,000 to \$25,000. This allows staff to address potholes and broken sidewalks throughout town. In total, \$325,000 from street and Powell Bill funds is being transferred to the paving fund.

**PUBLIC WORKS SANITATION** Mr. Weichel explained the sanitation budget includes a significant capital item of \$230,000 to purchase new carts, as Republic Services, the town's current provider since 2017, has not been responsive to service concerns. Republic has proposed a 5% rate increase, which would raise the cost to \$15.02 per customer. In comparison, a local company, Simply Green Recycling, has offered a lower rate of \$13.50 per customer, which could save approximately \$28,000 in the first year. However, transitioning to Simply Green would require purchasing new carts, which would cost \$230,000, though a \$30,000 grant from DEQ would reduce this cost to \$200,000.

Simply Green's service includes a 12-year warranty on the carts, which would be amortized over 15 years. While the transition would lead to cost savings and better service, Republic's carts would need to be returned, as they own them. The town would also need to buy trucks if it were to bring sanitation services in-house, but even with this, Simply Green remains the most cost-effective option.

Isaac Crouch, owner of Simply Green Recycling, introduced himself and provided background on his company, which he has owned since 2019. He explained the transition from manually sorted recycling to the current single-stream system and noted that materials are transported to GFL in Wilkesboro. He expressed interest in expanding into municipal trash service and explained that operationally, it is similar to recycling but with shorter travel distances to the Burke County landfill.

He confirmed that the current pickup schedule (trash on Mondays and Tuesdays; recycling every other Wednesday, with some Friday pickups) would remain the same if Simply Green were selected for municipal service. He also emphasized the company's focus on customer service, communication, and responsiveness.

During the discussion, Council members and staff considered the frequency of recycling collection. While some residents may not need biweekly pickups, others—especially families and frequent online shoppers—regularly fill their carts. The idea of offering monthly service or extra carts for an additional fee was mentioned, but Mr. Crouch cautioned that it could complicate administration. Staff suggested that any potential changes to pickup frequency be considered for a future budget year due to the current timeline.

**PARKS & RECREATION** During the Recreation Department's budget discussion, staff explained that the "Part-Time Pay" line item includes compensation for a variety of roles such as lifeguards, concession workers, fitness counter staff, park maintenance workers, custodians, sports officials, fitness instructors, and the swim team coach. Although the pool has not been operational during the winter in recent years, the part-time pay budget remained flat, as it was initially anticipated that the pool would reopen. Staff confirmed that the budgeted amount includes winter lifeguards, but actual expenditures will be reviewed to determine whether lifeguards were paid during closures.

An increase in the “Contracted Services” line was attributed to costs associated with the dome. Regarding salaries, the proposed budget includes a 5% Cost of Living Adjustment (COLA), consistent with the prior year’s planning.

Capital items totaling \$70,000 were also reviewed. This includes \$10,000 for replacing aging fitness equipment, specifically a treadmill and stepper. At Fletcher Ball Field, \$30,000 is budgeted for new scoreboards and the installation of metal support poles to replace deteriorating wooden ones. Additional capital needs include replacing the HVAC system in the men’s locker room, which was originally installed in 1998 and is now experiencing significant issues.

Tiger Gym was also discussed, with planned improvements to address facility wear and safety. Budgeted updates include fascia gutters to help mitigate moisture problems and replacement of the lobby’s stick-on tile flooring with a permanent textured coating to eliminate tripping hazards. While Tiger Gym is not used as frequently as other recreation facilities, it remains active seasonally and hosts youth basketball, volleyball, and indoor soccer. Staff noted that previously installed fans have significantly improved conditions, and further improvements aim to address ongoing moisture concerns.

**COMMUNITY AFFAIRS** The Community Affairs Capital Improvement Plan includes two projects for the Old Rock School this year. First, \$30,000 is budgeted to repair rotting wood on the second and third floors. This will include replacing the damaged wood, sealing, and painting to protect the building. The work will be done in phases over two years. Second, \$17,000 is budgeted to install a drop ceiling in the second floor west hallway to match the rest of the building and improve fire safety.

There was also discussion about the need to replace all the old windows in the building. This would improve energy efficiency, reduce maintenance, and extend the life of the building by decades. The current plan spreads this project over five years at \$100,000 per year, but staff and council agreed it would be better to find grants or fundraising support to complete it sooner.

Lastly, the budget includes funding for the 2026 Fourth of July celebration to be held on Saturday, as requested by residents in a recent survey.

At 12:00 noon, Council broke for lunch and returned at approximately 1:00 pm.

**DWAYNE WILSON INSURANCE PRESENTATION** Mr. Weichel explained that the Town currently offers only an HSA health insurance plan, but employees have requested additional options such as a PPO plan. During this year’s budget process, staff worked with the benefits consultant, Dwayne Wilson, to explore alternative plans. Mr. Weichel stated that offering more choices would support employee recruitment and retention, and the proposed changes are expected to save the Town money.

Mr. Wilson reported that the Town’s health insurance renewal with Aetna originally came in at a 7% increase but was negotiated down to a 1.3% increase. He presented a comparison between the current Aetna HSA plan and a new proposed PPO plan through Blue Cross Blue Shield, which offers lower out-of-pocket costs (\$6,000 vs. \$7,500) and co-pays for doctor visits, urgent care, and ER visits—beneficial for families with children. He recommended keeping the current HSA plan and adding the new PPO plan to give employees a choice based on their individual needs. Employees would not receive the \$1,000 HSA contribution if they opt for the PPO plan, creating some savings for the Town.

Open enrollment sessions will be offered to educate employees and assist them in selecting the best plan. Mr. Wilson emphasized their ongoing service and support to employees throughout the year.

Regarding dental coverage, the rate will increase from \$37 to \$41 per month, attributed to higher usage after benefit enhancements last year. If the Town switches medical coverage to Blue Cross, there is potential to reduce this increase through package negotiations. Vision coverage rates will remain flat, and the life, accidental death, and long-term disability coverage rates are locked through 2025.

Council gave Mr. Weichel the go ahead to move forward with open enrollment plans since June 1 is the renewal date.

**FIRST TRYON FINANCIAL ADVISORS’ PRESENTATION** Andy Smith and Chazzo Habliston (First Tryon Advisors) presented an overview of their firm’s services, specializing in municipal financial advisory, particularly for cities, counties, and towns. Their role is to provide independent advice related to capital planning, debt management, and funding strategies.

Mr. Smith's Key points included:

- First Tryon is not affiliated with a bank and does not sell financial products—they strictly offer advisory services.
- Their services are driven by long-term financial planning, not just individual project funding.
- They work with over 450 clients, including large and small municipalities across North and South Carolina.
- Emphasis was placed on comprehensive capital planning models, which analyze current financial conditions, forecast revenues and expenses, and help prioritize and structure funding for upcoming capital projects.
- They use detailed financial modeling to assist with determining debt capacity, affordability, and timing of projects, ensuring municipalities remain within state requirements and internal policy guidelines.
- The firm offers ongoing support before, during, and after debt issuance and capital project implementation.

Mr. Habliston demonstrated their custom-built capital planning tool, which consolidates past financial performance, budget projections, and anticipated capital needs to help towns make informed and sustainable financial decisions. He provided a detailed walkthrough of the Town's customized capital and financial modeling tool. The Excel-based model includes historical financial data, current budget information, existing debt schedules, and the Town's Capital Improvement Plan. It is designed to be flexible, allowing for real-time scenario adjustments such as toggling capital projects on/off or evaluating different funding sources. Key features include property tax impact analysis, fund balance tracking, compliance monitoring with internal policies, peer comparisons across North Carolina, and long-term revenue/expenditure forecasting. The model helps the Town evaluate debt capacity, assess impacts on fund balance, and make data-driven decisions for capital planning. Visual outputs and red-flag indicators are incorporated for easy policymaker interpretation.

The Town's total outstanding long-term debt as of the end of FY 2024 was just under \$10 million. Of that, about \$2.7 million is tied to governmental activities (like general fund projects), and \$7.2 million is related to utility services. Most utility debt consists of state revolving loans, while governmental debt includes several installment financing loans. Because the Town has a relatively low debt burden, it has the capacity to take on additional debt under state rules. However, since current debt payments are fairly flat through 2040 with little "rolloff," any new projects will likely require additional revenues (e.g., higher taxes or rates) to fund new debt.

#### **Types of Debt Available:**

1. **General Obligation Bonds (GO Bonds)** – Require voter approval and are backed by the Town's taxing authority. These have the lowest interest rates but must go on the ballot.
2. **Limited Obligation Bonds / Installment Financing** – Backed by the asset being financed (like a building or vehicle). No referendum is needed, but a public hearing is required.
3. **Revenue Bonds** – Used for utility projects and paid back through utility revenues. No voter approval needed.
4. **Special Obligation Bonds** – Rarely used; repaid from non-local revenue streams like sales tax.

#### **Financing Sources:**

- **Banks** – Most common method, simple and competitive.
- **Public Sale** – Less likely for the Town due to complexity and cost.
- **State Revolving Fund (SRF)** – Great for utility projects, low cost, but competitive and process-heavy.
- **USDA Loans** – Low interest and long terms (30–40 years), but strict requirements and lengthy process.

#### **Discussion Point:**

- While the Town's financial advisors do not assist with grant applications, they can suggest possible programs. Council noted the challenges of timing grants with capital planning—specifically, needing cost estimates before applying, but not having funding committed. Council also referenced a past situation where a \$500,000 grant was lost due to an expected partnership falling through.

#### **DISCUSSION AND RECAP**

Council discussed a \$25,000 budget item for financial advisory services. This amount is already included in the proposed budget and would fund a custom financial model to help plan for future capital projects. The advisors will compile and analyze the Town's financial data and build an interactive Excel-based tool. Once the model is complete, they can assist the Town on an as-needed basis with financing options, including securing competitive interest rates. The cost is a one-time expense, with future services used only if needed.

The financial model will help Council evaluate upcoming projects, including those for public safety, and understand how they fit into the Town's overall capital improvement plan (CIP). Council also noted the long-term value of having a consistent planning tool that future boards can use to track project priorities and funding strategies.

Budget Adjustments:

- Recycling carts will be purchased for \$30,000, reducing the original \$230,000 figure and returning \$30,000 to fund balance.
- Health insurance costs will be updated to reflect Blue Cross rates, adding more savings.
- These changes will increase the projected fund balance by approximately \$40,000 to \$50,000.
- Overall, the budget remains balanced, and all department needs are being met.

At 2:31 p.m., Mayor Watts closed the meeting and continued it to Day 2. Councilwoman Ward made a motion to recess the meeting to April 16, 2025 at 9:00am, seconded Councilwoman Lowman. The vote was unanimous.

**DAY 2 CONTINUED – APRIL 16, 2025**

**CALL TO ORDER** At 9:00 a.m., Mayor Watts continued the meeting.

**UTILITY FUND OVERVIEW** Interim Town Manager Bo Weichel explained that the Water & Sewer Fund operates as a business-type activity, providing both service and product to customers, and is reported as such in the audit. As of June 30, the unrestricted fund balance was just under \$5 million (79%). Recent fund balance impacts include \$162,380 in expenses for water plant projects and regulatory requirements, but these were offset by roughly \$300,000 in unanticipated revenue and unspent funds, resulting in a projected increase in fund balance.

The utility fund carries more debt than the general fund. Debt service for FY25 is projected at \$490,635. Some loans, particularly SRF (State Revolving Fund) loans, carry 0% interest, offering significant savings. However, Mr. Weichel and council members discussed concerns about past decisions, particularly related to debt incurred for the Settings development, which has yielded limited tax base returns. Despite challenges, the Town has made use of favorable financing when available.

**UTILITY FUND DEPARTMENT OPERATING & CAPITAL** Mr. Weichel presented a balanced utility fund budget totaling \$9.67 million, covering both operating and capital expenses. Operating costs increased by approximately \$245,000, primarily due to new debt service from the Lead Service Line Inventory and Cline Pump Station projects. Capital expenses rose significantly due to two major infrastructure projects: the Rodoret Street sewer line replacement (\$1.36 million) and the Water Plant electrical substation upgrade (\$1.4 million), totaling \$2.77 million.

To help fund these projects, the budget proposes borrowing \$1.9 million. Without these projects, projected revenues would have exceeded expenditures by \$829,000. That surplus will be used as cash toward the projects, with the remaining \$1.9 million proposed as a loan. Mr. Weichel outlined borrowing options, including 7- or 15-year loans, or funding the full amount from the fund balance, which would reduce the utility fund balance from roughly \$5 million (79%) to about \$3.1 million (47–50%). He emphasized that while this is still a healthy level, dipping lower could become a concern.

Mr. Weichel stated that his recommendation would follow the 10-year Capital Improvement Plan (CIP) presentation to help evaluate the long-term impact before deciding on financing methods. He also noted First Tryon could assist with commercial lending options if needed.

**WATER TREATMENT PLANT** Mr. Weichel provided an overview of the Water Plant budget, noting a \$14,000 increase in chemical costs due to rising overseas tariffs. He clarified that salaries in the Water Plant budget are limited strictly to plant personnel and do not include Public Works employees, who handle tasks such as water line repairs. He then reviewed the Water Plant's portion of the Capital Improvement Plan (CIP), which totals \$1.681 million for FY25. Projects include the phased replacement of air actuated filter valves, tank maintenance, roof replacement, booster pump station equipment rehabilitation, and the continuation of a three-year valve operator replacement program. The largest item is the replacement of the electrical substation, which is over 70 years old and no longer has manufactured replacement parts available. Water Plant Superintendent Eric Wilson emphasized the urgency of the substation replacement, noting its age and critical role in plant operations. Failure of the unit would require the plant to rely on generator power, which would significantly increase fuel costs. The estimated lead time for this project is approximately two years from approval, and if financed through a loan, the first payment would likely be due in about three years. The project will require approval from the Local Government Commission (LGC).

**WASTEWATER TREATMENT PLANT** Mr. Weichel reviewed the Wastewater Plant budget and explained that the significant drop in capital expenses compared to the previous year is due to the \$900,000 aerator project, which is already funded and currently underway. Since those funds were previously appropriated, they do not appear in this

year's budget. He emphasized that while the focus last year was on major improvements at the Wastewater Plant, this year's capital efforts are primarily concentrated on the Water Plant.

On the operating side, he noted slight increases in supply and material costs due to ongoing tariffs, particularly for products used in treatment and compost operations. The FY25 capital budget for the Wastewater Plant totals \$154,200 and includes several smaller maintenance projects: \$70,000 for centrifuge overhauls, \$3,000 for secondary clarifier rehab and painting, \$43,300 for primary clarifier rust removal and paint, \$11,900 for seal bearing replacement in centrifuge pumps, \$15,200 for spare pumps at Morgan Trace and High Meadows, and \$10,800 for concrete repairs at the compost pad. Mr. Weichel noted the concrete work is necessary to prevent equipment damage caused by broken slab edges.

**PUBLIC WORKS WATER/SEWER CONSTRUCTION** Mr. Weichel presented the Water and Sewer Construction budget, noting this department handles infrastructure issues such as water leaks and sewer line failures. He highlighted an increase in the debt service line from \$326,815 to \$419,311 due to two new loans for the Client Avenue project and the Lead Service Line Replacement Project, the latter being a 0% interest SRF loan.

He also addressed a \$25,000 increase under meter expenses, raising the line from \$30,000 to \$55,000. This is due to the expiration of the 5-year warranty on meters installed during the 2020 AMI meter replacement project. The Town has approximately 5,500 meters, and while most are performing well, an estimated 25–30 units must be replaced annually at a cost of around \$600 each.

The department's capital budget includes three major infrastructure projects totaling \$2,054,000:

- **Curville Street Water Line Replacement (\$470,000, cash-funded):** Replaces an aging 2-inch galvanized line with poor flow, addressing chronic maintenance issues and improving water service to residents.
- **Jefferson Avenue Sewer Line Replacement (\$219,000):** Replaces a problematic 4-inch sewer line with an 8-inch line to prevent clogs and backups. The upgrade includes installing dedicated taps and cleanouts for better maintenance access.
- **Rodoret Street North and South Sewer Line Replacement (\$1,365,000):** Replaces severely undersized and deteriorated 4-inch lines, originally installed in the 1950s without access points or updated records. The proposed 8-inch lines will serve approximately 20 homes, prevent recurring backups, and provide proper individual taps.

Public Works Director Allen Hudson provided detailed context for the Rodoret project, explaining that frequent maintenance is required to prevent backups due to the deteriorated and improperly sized lines, some of which run under private structures. The improvements are designed to modernize the system and improve long-term service reliability for affected residents.

**CAPITAL IMPROVEMENTS PLAN WATER & SEWER RATE STUDY** R.J. Mozeley with McGill Associates provided updates on projects in progress, upcoming projects, and went over why developing a Capital Improvement Plan(CIP) is important. Mr. Mozeley explained to Council that the CIP list items are either for a regulatory requirement, viability of equipment, efficiency, and growth causing the need to expand.

The CIP is paired with a financial analysis to ensure long-term sustainability. This includes reviewing revenue trends, expenses, and key performance indicators (KPIs) like operating ratios, debt service coverage, and the capital asset condition ratio—a metric now flagged by the state's Local Government Commission (LGC). Valdese's current ratio is slightly below the LGC's benchmark, highlighting the need to reinvest in infrastructure. Mr. Mozeley noted that fund balance targets vary by utility size, and financial planning must account for inflation, modest customer growth, and maintaining a healthy balance to fund future needs.

Mr. Mozeley emphasized the importance of ensuring rate plans remain relevant to the market, noting that it's not enough to calculate needs and costs without considering customer impact—both in-town and out-of-town. He presented a regional rate comparison from the NC League of Municipalities, showing Valdese's combined residential water/sewer rate at \$49.30, which is lower than most neighboring systems and well below the statewide median of \$68.78. He explained that Morganton's lower rates are partly due to its larger system size and the support of an electric enterprise fund. He also noted that Valdese has a unique challenge in that only in-town customers pay for sewer service—many out-of-town customers only pay for water, limiting revenue potential and complicating rate equity, especially in comparison to areas served by Morganton.



**April 15 & 16, 2025, MB#33**

Mr. Mozeley presented an updated financial model and Capital Improvements Plan (CIP) for the Town's utility system. The model projects revenues, expenses, and rate impacts through FY2035. It shows modest annual surpluses that will help build fund balance for future reinvestment in the water and sewer system.

Staff reviewed the current utility rate plan, noting that last year Council adopted the first step of moving Triple Community (outside) water customers from the in-town rate toward an industry-standard 2x outside rate. This year's budget includes the second step of that transition, moving from 1.5x to 2x. The proposed increase accounts for a significant portion of the projected 24.4% revenue adjustment in FY2026. Council members expressed concern about the steep increase, particularly its impact on outside customers, suggesting alternatives such as phasing in the outside rate increase more gradually or maintaining the 1.5x rate. Staff confirmed this is possible and would affect revenue projections and potentially delay some capital improvements.

Discussion included the \$1.9 million Rodoret Street sewer project. Council suggested splitting the project into phases over multiple years to reduce financial impact, noting potential community feedback based on which areas receive upgrades first. Staff advised this could be done, though bundling the project may offer economies of scale.

Council also discussed the potential to adjust sewer rates upward more aggressively. Staff noted the Town's sewer rates are currently among the lowest in the region and do not fully cover costs, while water rates are higher comparatively. A more balanced rate structure could improve long-term sustainability. Council members stressed the importance of being cautious about burdening outside customers with steep rate increases and requested staff evaluate alternatives. Council also acknowledged the value of McGill Associates' engineering and planning services and expressed interest in exploring additional financial planning support from Tyron Financial Services.

**DISCUSSION AND RECAP**

Councilman Harvey discussed the need to prioritize the replacement of windows at the Old Rock School, a historic building with sentimental value to the community. Over \$1.28 million is allocated for window replacements in the Capital Improvement Plan over the next nine years, but it was suggested that a one-time, grant-funded project—similar to the 2024 renovations—could be more efficient and cost-effective. Staff was commended for their previous success in securing grant funding and encouraged to explore similar opportunities for this project.

Council also discussed the justification for third-floor classroom renovations at the Old Rock School, intended to generate rental revenue and support economic development. There was concern that projected revenues from classroom rentals may not be adequately reflected in the budget, and the current rental rates and potential increases were reviewed. The topic shifted to tourism spending, noting that approximately \$85,000 in occupancy tax revenue is spent annually on advertising to attract visitors. Councilman Harvey questioned why town tourism offices and attractions are closed on Saturdays—the peak tourism day—despite efforts to bring visitors in. It was suggested that adjusting staff schedules to include Saturdays might improve visitor experience and reduce event-related overtime costs. A differing viewpoint was expressed, noting this is a managerial decision, not a council policy issue.

**ADJOURNMENT** At 12:09 p.m., Councilwoman Lowman made a motion to adjourn, seconded by Councilwoman Zimmerman. The vote was unanimous.

The next meeting is a regularly scheduled meeting on Monday, May 5, 2025, 6:00 p.m., Valdese Town Hall.

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Town Clerk

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Mayor

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