

**TOWN OF VALDESE
COUNCIL BUDGET PRESENTATION
MONDAY, MAY 11, 2026**

The Town of Valdese Town Council met on Monday, May 11, 2026, at 5:00 p.m., in the Town Council Chambers at Town Hall, 102 Massel Avenue SW, Valdese, North Carolina. The following were present: Mayor Keith Huffman, Mayor Pro Tem Rexanna Lowman, Councilman Gary Ogle, Councilwoman Heather Ward, Councilwoman Melinda Zimmerman, and Councilwoman Shannon Radabaugh. Also present were: Town Manager Todd Herms, Assistant Town Manager/CFO Bo Weichel, Town Clerk Jessica Lail, Town Attorney Tim Swanson, and Department Heads.

Absent: None

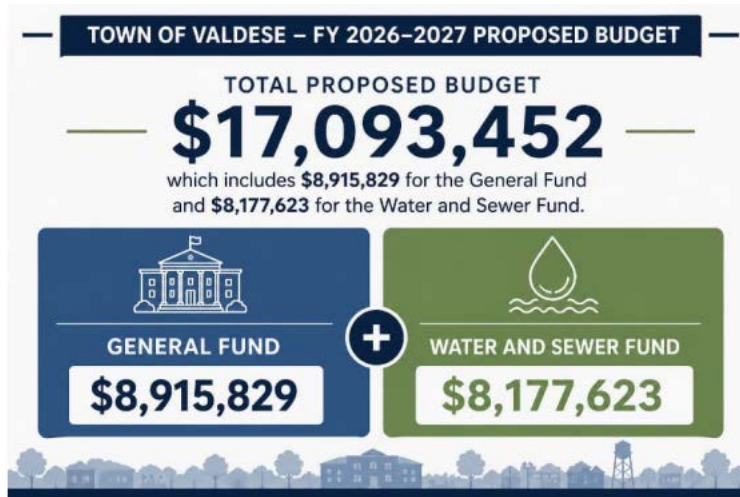
A quorum was present.

CALL TO ORDER At 5:00 p.m., Mayor Huffman opened the meeting and welcomed everyone to the Budget Presentation.

PRESENTATION OF THE FY 26-27 BUDGET

Mr. Bo Weichel, Assistant Town Manager/CFO, stepped forward to the podium. Mr. Weichel disclosed that the Council had the proposed fiscal year 2026-2027 Budget in front of them. He provided that the proposed budget had been prepared in accordance with the Local Government Budget and Fiscal Control Act and that it reflected the priorities that were provided by the Council during the budget workshop. Mr. Weichel reported that the general fund budget, and water and sewer fund budget, were balanced as was required by state statute. He continued that it focused on maintaining core services, addressing capital infrastructure needs, and ensuring long-term financial sustainability.

Mr. Weichel then presented the following budget overview:

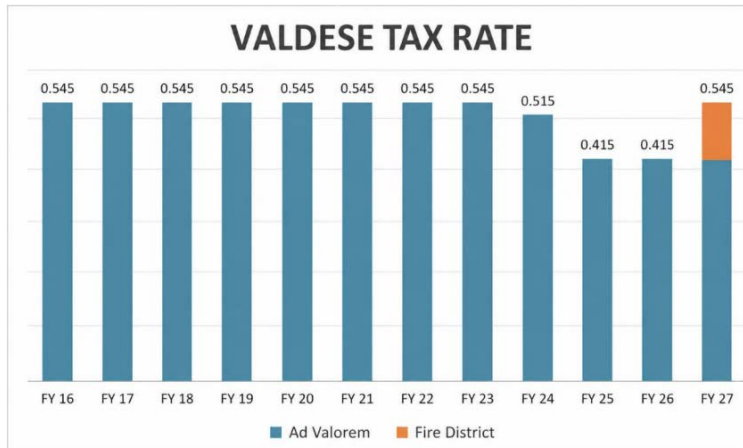


Mr. Weichel recalled discussions from the budget workshop where it was identified that the Town had to bring in more revenue, especially with the upcoming public safety project. He acknowledged the current tax rate of 41.5 cents and that the Town had recently implemented a financial model with First Tryon Financial Advisors. Mr. Weichel reported that the model showed that the 41.5 cent tax rate was not sustainable given upcoming projects and the need to maintain the same level of service to citizens. Mr. Weichel stated that a fire district tax of thirteen (13) cents had been introduced, which would be collected on top of the 41.5 cent ad valorem tax. He continued that combined, the two tax rates made for a 54.5 cent effective tax rate.



Mr. Weichel used the graph below to express the significance of the effective tax rate of 54.5 cents. He continued that a tax rate of 54.5 cents had been in place for over a decade. Mr. Weichel provided that the ad valorem tax rate would stay unchanged, at 41.5 cents. Mr. Weichel stated that the original projections for the public safety building were based on the 54.5 cent tax rate, and as the Town went to a revenue neutral rate, the ability to pay for such a building went away. He continued that resetting the tax rate back to where it was realigned the Town with the original projections related to the public safety building.

Councilman Ogle asked if there was previously a fire district tax, before the introduction of the thirteen (13) cent fire district tax. Mr. Weichel answered that there was not, that this fire district tax was something new.



Mr. Weichel moved to discuss an overview of the Water and Sewer Fund. He reported that expenses in the water and sewer fund were entirely supported by the sale of water and sewer services, adding that no tax money supported the operations. Mr. Weichel provided that rates were covering rising costs, infrastructure maintenance, and regulatory requirements.

Mr. Weichel disclosed that a 7% rate increase for water and sewer customers was discussed at the budget workshop. Mr. Weichel contextualized rising costs the Town was incurring through an example using rising electricity costs. He provided that the Town paid over \$300,000 annually for electricity at just the Water Treatment Plant.



Mr. Weichel concluded his presentation and stated he would be open to questions. Councilwoman Ward stated that she knew the 7% water and sewer increase was for the present year. She continued by asking if Mr. Weichel could disclose how many more years the Town was looking at additional 7% increases. Mr. Weichel responded that the Town was attempting to keep rates as consistent as possible, that they didn't want users to incur huge spikes some years and little-to-no increases other years. Mr. Weichel stated the Town's goal was to try and maintain a 7% increase for the next couple of years.

Councilwoman Ward asked what level of rate increases users would see if the Town were to not replace its fluoride tank which it uses to fluoridate its water. She continued asking if users would be facing a 7% increase annually if the Town were to not pursue the replacement of the fluoride tank. Councilwoman Ward added that she had received calls from users asking to discontinue the feed of fluoride. Mr. Weichel responded that discontinuing fluoride feed would lead to a 0% increase, solely for residential users, in rates for the current budget year.

Town Manager Herms added that an increase of 7% was below the average rate increase for the State of North Carolina, continuing that some neighboring municipalities were looking at double digit increases.

Councilwoman Radabaugh asked if the Town had explored the use of solar as a way to manage electricity costs at the Water Treatment Plant. Mr. Weichel answered that the Town had not and that there were a lot of regulatory things the Town would have to go through to use solar panels. He stated that those things mainly had to do with maintaining a reliable system. Mr. Weichel added that there would be a lot of expense to use solar panels. Councilwoman Radabaugh provided that she personally had solar, and that it could be used to power a backup generator. Mayor Pro Tem Lowman asked about the possibility of available grants in relation to solar panels.

Town Manager Herms provided that solar at a residential home was different to solar at a commercial facility, like the Water Treatment Plant. Town Manager Herms gave an example comparing solar technology to a VCR, stating that when VCR's first came out, they were expensive and bulky. He continued that VCR's were replaced by more efficient and more reliable technology, likening this timeline to that of solar panels. Town Manager Herms expressed that the technology for solar would eventually get to a point where it could produce the necessary amount of kilowatt hours, but did not believe the technology was quite there yet. He added that the investment to get there would eat up any savings the Town would recognize. Town Manager Herms stated that he did not know of any grants that would be applicable to municipal water systems, that most of the grants he knew of were for smaller commercial applications.

Town Manager Herms specified that Staff could look into solar applications, and bring it back to Council for review, but expressed that he did not want to provide false hope.

Mayor Pro Tem Lowman asked if selling water to the City of Lenoir would have any impact on the Town's water rates, asking if the proceeds from water sales could lead to a decrease in water rates. Mr. Weichel stated that this was the goal. He added that the Town did not know how much water the City of Lenoir would be using, that if they only purchased the minimum it would not move the needle much, but added if they were a full user it would be a tremendous help to water rates. Mr. Weichel expressed the Town was doing everything it could to minimize increasing residential and industrial water rates.

Councilwoman Zimmerman asked for a timeline for the Lenoir Interconnect Project. Mr. Weichel responded that he expected the project to take at least two (2) to three (3) more fiscal years.

Town Manager Herms stated he would like to provide some additional context. He continued that the Water Treatment Plant was permitted for 12,000,000 million gallons per day (MGD) and was built back when the Town had a lot more industrial users. Town Manager Herms reported that presently the usage was significantly less than the rated usage, stating that present usage ranged from 2 MGD to 3.5 MGD. Town Manager Herms noted that the pumps and infrastructure were set up for a 12 MGD facility and therefore had to be maintained at that level. He provided that this led to large, fixed, infrastructure costs that the Town had no choice but to cover as it could not simply downsize the plant. Town Manager Herms acknowledge that industries had gotten more efficient with their water uses, which meant that the industries the Town still had were using less water than they did 15 years ago. Town Manager Herms also provided that residential water uses, like shower heads, had gotten more efficient, and if one scaled that over the entirety of the Town it also added up to less water being sold.

Councilwoman Ward sought to clarify the proposed and projected increases in water rates, providing that a chart showed annual 7% increases to water rates until fiscal year 2036. She added that the amount may not seem significant, but that it was to some, as individuals did not themselves receive annual raises. Councilwoman Ward referenced citizens in the Triple Community, asking if they would be prepared for constant increases. She provided that there were families paying in excess of \$200 and pointed out Duke Energy increases along side the water rate increases and possible tax increases. Councilwoman Ward proposed hosting some type of public forum to make sure people were okay with keeping fluoride and that the Town could possibly hold off on making such a decision until the next year.

Councilwoman Ward stated that fluoride was 25% effective and that there were other ways to get it. She added that she knew fluoride was important for children, but acknowledged that there were people who were concerned about the dangers of it. Councilwoman Ward expressed that she felt the decision on fluoride was something the public needed more input on, rather than Council bringing it up at one meeting where it was proposed to discontinue fluoride feed and then coming back to say they were keeping it. Councilwoman Ward acknowledged that on top of this, the Town would increase water rates 7% annually till at least 2036. Councilwoman Ward stated this was the reason for her question, that in her opinion this decision needed more input.

Mr. Weichel stated that the 7% increases in the years following the current one were not related to fluoride at all, that the 0% increase being discussed was only related to the immediate fiscal year. Councilwoman Ward stated that the ten (10) year table she had viewed made it seem like all of the increases were related to the fluoride system and that this is what she thought she had heard in the budget workshop as well.

Town Manager Herms stated that the projected 7% annual increases were a projection of a worst-case scenario. He continued that the Town was seeing increases in operating costs which were greater than 7%. Town Manager Herms provided that water meters used to be \$209 and were now over \$1,000, adding that this happened over a period of five (5) years, not over a long period of time. Town Manager Herms expressed that the Town could not eat those costs, that they would cause the system to go bankrupt. Town Manager Herms reported that the Town's Utility Fund was operating on the thinnest margin that it ever had. He added that proprietary equipment also led to increased costs, stating something as simple as a plastic nut could cost up to \$12,000.

Councilwoman Ward stated that this was where she got concerned, asking if the sky was the limit for what the Town charged. Councilwoman Ward expressed that she was asking hard questions as she wanted to make sure the Town was doing everything possible to keep things to where the Town's citizens could live and survive within the Town.

Mr. Weichel responded that there were a lot of regulatory standards the Town had to meet, continuing that this was the reason why the Town had presented the idea of discontinuing the fluoride feed, as it was something that was not required by the State. Mr. Weichel then referenced the ten (10) year table which was previously discussed, stating that percentages could fluctuate by approximately 1% annually based on whether fluoride was, or was not, fed. Councilwoman Ward stated that she just wanted to make sure that the Town was doing whatever possible, as not everyone was as fortunate as others.

Mayor Huffman asked Mr. Weichel to explain the revenue to expense ratio, referencing a chart which projected ten (10) year into the future, providing that the Town had to stay above a 50% fund balance. Mr. Weichel acknowledged that these were projections as the Town did not exactly know what year-to-year increases would be, noting that a 7% increase in 2030 would likely change, but was the Town's best projection presently. He added that as things came online, such as the Lenoir interconnect project or adding industrial users, the needle may be moved and the projections may change.

Mayor Huffman asked for further explanation about the money the Town must keep on hand. Town Manager Herms explained that the Town had to keep enough money on hand in case of a major breakdown at a plant, providing that if a

MAY 11, 2026, MB#33

pump were to go out it could cost the Town in excess of seven figures. He gave another example of cost implication in a drought, where it could cost the Town anywhere from \$750,000 to \$1,000,000 to extend the raw water intake. Town Manager Herms stated that money must be kept in the fund balance to cover those items, as when those types of disasters happened, they generally happened at a region-wide level, acknowledging there was no way for the State to come bail out 30 water systems at the same time.

Mr. Weichel presented the overall cost requirements to run the system, and projected those costs over the next ten (10) years. He honed in on the next four (4) years, stating that if the Town were to keep rates flat the expenses would quickly outpace the revenues.

Councilwoman Ward stated that there was a lot of information that she felt needed to be questioned, as the Town had a budget workshop that was not livestreamed. She continued that it helped for Council members to ask questions as to help citizens know what was happening. Councilwoman Ward expressed that it was her job to represent the people, not just her Ward, but all of the Town.

Mayor Pro Tem Lowman asked Mr. Weichel to explain the thirteen (13) cent fire district tax as it was brand new to the Town. Mr. Weichel responded that a fire district tax was not something that was a new concept in local government, that it was generally seen at the county level. Mr. Weichel provided that one was taxing their fire district, which in the Town's case was the same district as the Town's limits. He continued that the revenues from a fire district tax were required to be used for fire department purposes only. Mr. Weichel stated that the budget ordinance would outline both the ad valorem tax and the fire district tax.

Mr. Weichel stated that the fire district tax was expected to bring in approximately \$742,000 in revenue. Mr. Weichel reported that the Fire Departments total budget was \$1,200,000, and that the fire district tax would not cover all operations, but that it would help alleviate some of those operations. He added that the goal was also to open up some room for a public safety building in the near future.

Town Manager Herms provided that the fire district tax gave future elected boards the flexibility to change the rate of the fire district tax, as the Town paid down the loan on the potential Public Safety Building, without adjusting the ad valorem rate.

Councilwoman Zimmerman pointed out earmarked funds in the General Funds' budget for the new pool bubble and asked if the Town had explored, or would explore, a way to lessen the expense for the putting up and taking down of the pool bubble. Mr. Weichel responded that this was an ongoing dilemma that the Town had, but added that the Town currently had the required monies to do so. He provided that the cost to put the bubble up was approximately \$30,000 and that the cost to take the bubble back down was approximately \$32,000. Town Manager Herms reported that the Town was researching not just the pool bubble, but was looking under every rock it could to find where it could save money. He continued that the pool bubble was an area that was being explored, and that he hoped the Town would have a better picture before October. Town Manager Herms stated the pool bubble was something that Council would need to discuss in the future.

Town Manager Herms recognized that the Town did not have a lot of options when it came to putting the bubble up and take it down as there were only so many companies willing to do so. He stated it was a supply and demand issue, that there were only approximately two (2) companies that would do so, which typically led to a greater expense. Mr. Weichel added that the last thing the Town would want to do is have any damage done to the pool bubble, so that whoever the Town hired to do it needed to take good care of the pool bubble. He continued that this was why the manufacturer was currently built into the budget to do this work, as they would take care of the pool bubble as they were the one's who built it. Mr. Weichel affirmed that if the Town could find a cheaper alternative, which was equally safe for the dome materials, it would be a good solution.

Councilwoman Ward expressed that she wished there was a way to get deeper into the line items of the budget. She continued that the pool bubble was an obvious place to explore cost savings as everyone knew about it and it was in the public spotlight, but asked if there were other things that the Town was spending money on that the Council needed to look at. Councilwoman Ward added that maybe there were services that the Town had provided in the past that it could probably do without providing, something that was not doing anything for the Town.

Councilwoman Ward stated that she would always be on the side of the people as she walked the streets and talked to the people. She stated that the question she was most often posed was "Are y'all going to raise taxes again," to which she would respond "I don't want to. I know it's going to be necessary to get the public safety building built." She asked if

MAY 11, 2026, MB#33

the Town had to raise taxes, acknowledged that she knew it was a fire district tax, and stated that one could tie the fire district tax up in a pretty bow all they wanted to, but that the fact of the matter was that Council was still raising taxes. Councilwoman Ward asked if there was a happy median where the Town could evaluate services it had historically offered and balance whether they were actually bringing revenue into the Town. She asked if these were things a private individual, or business, could sponsor. Councilwoman Ward stated there could be situations where 100% of citizens were paying for something that only 10% of the citizens were benefiting from.

Councilwoman Ward expressed that she wished the Council could see, in more depth, how much the Town was spending on different departments. She continued that she wanted to know where the money was going and what the Town was doing, as there were maybe things that could be cut to save a penny, or two (2), on the tax rate.

Town Manager Herms stated that it came down to priorities and what the taxpayers were willing to spend money on. He added that there were things in Valdese that no other community had, but that those were the things that made Valdese what it was. Town Manager Herms provided the example of the Town's Bowling Alley, stating that Valdese was one of the only cities East of the Mississippi River that had a bowling alley, and added that it was likely one (1) of ten (10) in the country. He continued that there were people in the Town who expected the Town to provide such services as the Town had been providing them forever. Town Manager Herms reported that the budget had been cut before he had started for the Town and that there was not much meat left on the bone.

Town Manager Herms provided that purchases as simple as printer ink have become cumbersome processes. Councilwoman Ward expressed that things must be looked at further, that she hated to say this, and that she loved all the programs the Town provided. Councilwoman Ward provided that she had discussed cutting the Fourth of July fireworks at the budget workshop, as they weren't occurring on the actual Fourth of July. She stated that it was a glorified let's get down street and party event. Councilwoman Ward asked if things like the Town's concerts were necessary if purchases such as printer ink were causing issues, stating god forbid that the Town was spending money on things that 10% of the citizen enjoyed, when it was at the expense of over 50% of the Town who really did not care about those things. She continued that they just wanted to be able to eat and pay for their medications. Councilwoman Ward acknowledged that there would be hard decisions to make but that they really mattered. She stated that she thought it deserved a little more digging to see if the Town needed to provide a specific service, or could it cut back due to the expense of that service. Councilwoman Ward expressed if the Town was unable to pay for basic necessities and unable to give police officers raises, without killing its citizens, it seemed like the Town's priorities were way out of whack.

Town Manager Herms provided that this was Council's budget and that Council could do with the budget what they wished, adding that Staff just made recommendations. He continued that Staff had recommended cutting things that were historically done, such as cutting back Friday night concerts, adding that acts as a result could be more expensive. Councilwoman Ward asked if the increase in cost for each act would balance out with the reduced number of concerts. Town Manager Herms confirmed that the Town would save money through this measure.

Town Manager Herms reported that the Town had exhausted cost cutting measures to the point where there was not a lot left to cut. He continued that if one wanted to make significant changes, without having a tax increase, one would be talking about changing the way the Town operates, completely doing away with departments.

Councilwoman Ward asked if the Town could make sure that the things people wanted were actually paying for themselves. She asked if any department at this point in time was paying for themselves and then asked how the Town could make them run more efficiently. Town Manager Herms responded that there were very few programs the Town offered that paid for themselves. He continued that the Town could not charge for fire, and that departments like the Planning Department did have fees, but not fees that covered the cost. Town Manager Herms identified the Recreation Department, stating that one would never charge enough for kids' softball and baseball to pay for what it costs. He stated that most of the time if one can provide a service, and make money, it was run by the private sector. Town Manager Herms stated that, for the general fund, the Town ran as efficiently as it could with the understanding that there were few services it provided that turned a profit. He pointed out that the enterprise fund was different.

Town Manager Herms provided that Valdese offered more programs and services when compared to similarly sized municipalities and that there was a cost associated with this. Councilwoman Ward stated that unfortunately when a lot of those programs and services were started, there was a lot more industry within the Town, and that now the Town was left to keep up with those services. She asked at what point the Town would evaluate whether it was worth keeping the aforementioned services. Councilwoman Ward stated it was something for the Council to think about, as the Town was going up 7% on water, was going up on taxes, and stated this would not be easy for a lot of people. She believed that

MAY 11, 2026, MB#33

over the next two weeks Council must discuss, ask questions, and make sure the Town had gotten the budget right and done right by the people who had elected them.

Mr. Weichel reported that when Staff held their small group sessions with Council, detail was gone into to dig down what was in the budget that could possibly be cut to avoid any kind of tax increase. He continued that anything that would move the needle would have to be a significant cut, and a significant culture change, for the Town. Mr. Weichel stated it was doable, but not desirable.

Councilwoman Ward stated that this is what citizens had to hear, that if they wanted to see something, this is what they had to do. She expressed citizens had to show up and speak up to do what needed to be done.

Councilwoman Radabaugh asked if the Town were to raise a fire district tax, would it be able to pay for basic necessities such as printer ink. She continued that the Town was stating it was a fire district tax, so it could have a public safety building. Councilwoman Radabaugh believed that this is where there was a lot of confusion in the Town, as individuals were saying the money would go to the public safety building. She continued that people were now hearing that the Town did not have enough money for administrative functions. Councilwoman Radabaugh asked where the needle was at and asked if the Town would have enough money to pay for necessities as well as the public safety building.

Mr. Weichel responded that when the Town brought in extra revenue through the fire district tax, it gave the Town a chance to move some things around. He continued that one would replace the money in the Fire Department, with the revenues raised by the fire district tax, and then spread those monies out to other departments to assist with other costs.

Town Manager Herms reported that this was his 21st or 22nd budget, that it was his first time ever recommending a tax increase, and that it was not something he did lightly. He added that unfortunately the rising costs that the Town was facing were not just costs that could be swallowed. Town Manager Herms provided that the previous quarters gasoline costs were \$100,000 more than they were previously. He added that this was one line-item that would affect a lot of the Town's operations, as fuel costs affected everything. Town Manager Herms disclosed the Town had anywhere from 1,500 to 2,000 line-items, and that if everyone of those line items were to go up 2%, it would represent significant monies that the Town would have to find.

Town Manager Herms commended the department heads, as they all jumped in and realized what the Town was facing. He continued that the department heads worked well together to come up with what was presented. Town Manager Herms expressed that the budget now relied on the Council, if they wanted to accept the budget or change it. He provided that those decisions carried significant effects if one were to decide to make deeper cuts. Town Manager Herms expressed that in his short time in Valdese, he did not believe a majority of citizens wanted to see such cuts.

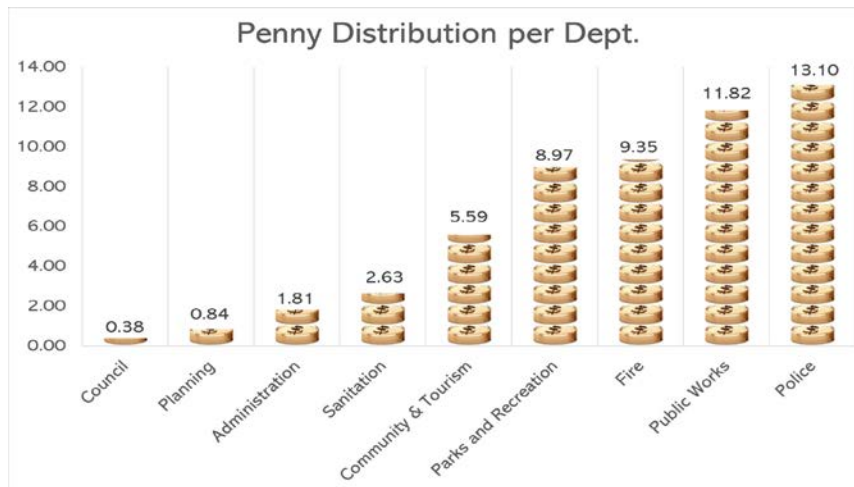
Councilwoman Ward expressed that if the Town continued to see rising fuel costs and electricity costs, it needed to prepare citizens for the fact that the Town may have to see cuts to departments. She stated that she did not believe the Town could live in a fairy-tale world where it was okay with continually raising taxes. Councilwoman Ward disclosed that as Valdese was a small town, it did have to deal with higher taxes as it tried to do a lot given the number of citizens it had. She added that the Town must prepare everyone that if costs continued to rise, which the Town could not control, it would have to make tough decisions.

Councilwoman Zimmerman asked Mr. Weichel to display a dollar-bill graphic that was shown in the budget workshop. Councilwoman Zimmerman thought the graphic was helpful in showing how tax dollars were broken down by department.

MAY 11, 2026, MB#33



Mr. Weichel reported that it was common for a police department to be the largest expense for a municipality. Mr. Weichel provided that near the center one could see departments such as Parks and Recreation and Community Affairs and Tourism, where he stated that these departments housed services a lot of other Towns did not offer. He continued that he was not trying to pick on those departments, but acknowledged that they were luxury items that the citizens of Valdese had. Town Manager Herms expressed that he believed citizens appreciated those services. Mr. Weichel agreed and stated that this was why the Town tried its hardest to keep such services.

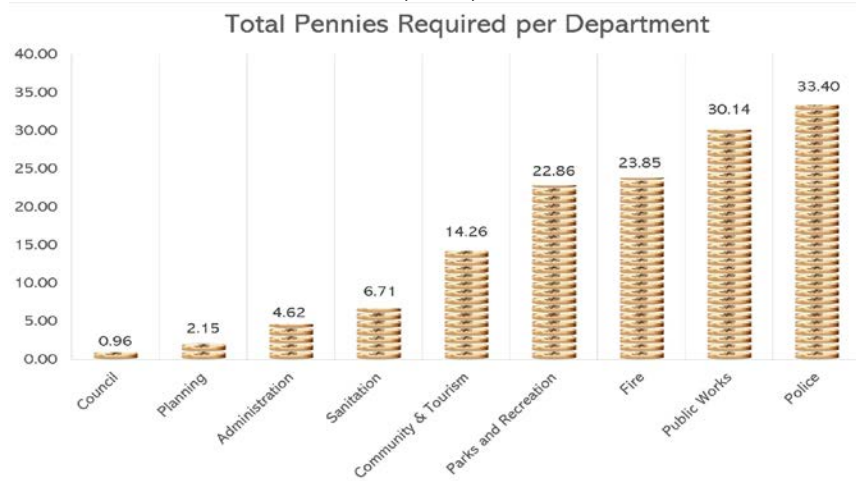


Value of a Penny

 = \$61,506

How many “pennies” would you guess each department takes to run?

MAY 11, 2026, MB#33



Mr. Weichel used the graph of total pennies required per department to illustrate that if there were no additional revenues other than ad valorem tax and a fire district tax, the Town's tax rate would have to be approximately \$1.39 to provide services that the proposed budget was providing.

ADJOURNMENT At 5:54 p.m., Mayor Pro Tem Lowman made a motion to adjourn, seconded by Councilwoman Zimmerman. The vote was unanimous.

Town Clerk
mr

Mayor