

**TOWN OF VALDESE
ANNUAL TOWN COUNCIL BUDGET RETREAT
TUESDAY, APRIL 14, 2026**

The Town of Valdese Town Council met on Tuesday, April 14, 2026, at 9:00 a.m., for the Annual Budget Retreat, in the Town Community Room 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, and Department Heads.

Absent: None

A quorum was present.

CALL TO ORDER At 9:00 a.m., Mayor Huffman opened the meeting and welcomed everyone to the Budget Retreat. Mayor Huffman announced that Ms. Jean-Marie Cole passed away last night and gave a moment of silence.

APPROVED TOWN MANAGER CONTRACT

Mayor Huffman recommended two changes to the Town Manager's contract. Paragraph 4 line 9 and paragraph 6B line 3.

Mayor Pro Tem Lowman made a motion to approve contract as presented, seconded by Councilwoman Zimmerman. The vote was unanimous.

GENERAL FUND OVERVIEW

Mr. Weichel stated that the numbers and data he was providing represented what was needed to operate at current levels, noting they did not represent any major changes to programs or services. Mr. Weichel provided that the recommendations provided by Staff and Management were developed through professional evaluations, as they observed day-to-day operations. Mr. Weichel emphasized that one should be mindful of the Local Government Commission (LGC) throughout the budgeting process, especially as there was a large project looming, which would require debt issuance. Mr. Weichel added that the LGC looked over both the General Fund and the Utility Fund, and recounted that the Town had received a financial indicator of concern (FPIC) notification during its most recent audit about its capital asset ratio.

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 LGC scrutiny.

Town Manager Herms asked Mr. Weichel to explain the changes that the LGC had made to calculating minimum fund balance requirements. Mr. Weichel answered that previously the LGC evaluated fund balance with an unwritten rule that one had to stay over approximately an 8% fund balance. He continued that the LGC now had a stricter, dynamic, formula, where the LGC looked at a Town's peer group, compared one to them, and stated that as long as one's fund balance was above the 50th percentile of that peer group they were in good standing. Mayor Pro Tem Lowman asked if the Town knew who was in their peer group. Mr. Weichel responded that the peer groups changed and was based on population and budget size. He also added that the Town could request a list of its peers from the LGC for the current budget year.

Mr. Weichel reported that as of June 30, the Town's unassigned fund balance was \$8,123,452, equivalent to 125% of annual expenditures. He added that the reason for the large unassigned fund balance was that the Town had big projects coming up and was saving for those projects. Mr. Weichel provided that revenues were on track for the year, but pointed out that there were projects that had impacted the fund balance so far, which were the pool bubble, street paving contingency funds, a police patrol vehicle, an officer leave payout, and an increase in officer reserve pay, which totaled \$329,702.

Mr. Weichel outlined several budget challenges affecting the General Fund. These included a state-mandated 0.74% increase in retirement contributions bringing the Town's rate to 15.15%, with law enforcement rates rising to 17.10%. Other challenges include implementing a pay study that was approved last budget year, street paving, medical insurance, 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.

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Councilman Ogle asked what the aforementioned aging facilities were. Mr. Weichel answered that these facilities included the Community Center, the Old Rock School, Tiger Gym, and Town Hall.

GENERAL FUND OPERATING & CAPITAL SUMMARY

Mr. Weichel presented the General Fund budget summary, stating that it was a balanced budget, which meant that expenditures matched revenues.

2026-2027 Budget			
General Fund Summary			
OPERATING BUDGET			
Department	FY24-25 Budget	FY25-26 Budget	FY26-27 Recommended
GOVERNING BODY	59,437	51,313	58,925
ADMINISTRATION	1,380,187	1,460,371	1,492,258
PUBLIC WORKS ADMIN	208,267	219,282	243,014
MAINTENANCE & GROUN	297,597	301,977	333,428
PLANNING	78,429	79,725	116,122
POLICE	1,326,572	1,376,492	1,696,519
FIRE	920,487	962,271	1,322,430
STREET	847,207	684,538	827,856
POWELL BILL	166,300	198,300	198,300
SANITATION	382,919	379,534	397,025
RECREATION	1,025,202	1,084,127	1,244,630
COMMUNITY AFFAIRS	646,104	681,930	806,322
Operating	7,338,709	7,479,861	8,736,829
CAPITAL BUDGET			
GOVERNING BODY	0	0	0
ADMINISTRATION	22,000	60,000	10,000
PUBLIC WORKS ADMIN	35,000	7,000	0
MAINTENANCE & GROUN	3,000	0	61,000
PLANNING	0	0	0
POLICE	56,000	67,000	69,000
FIRE	75,000	0	0
STREET	0	65,000	6,000
SANITATION	0	230,000	0
RECREATION	79,280	42,000	33,000
COMMUNITY AFFAIRS	35,000	30,000	0
Capital	305,280	501,000	179,000
TOTAL EXPENDITURES	7,643,989	7,980,862	8,915,829
TOTAL REVENUES			8,915,829

difference: 0

Mr. Weichel pointed out the Capital Budget, acknowledging that capital expenditures had decreased from the prior year.

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2026-2027 Budget Allocation						
GENERAL FUND REVENUES						
Line Item Description	Account Code	2023-24 Actual	2024-25 Actual	2024-25 Budget	2025-26 Budget	2026-27 Recommended
PRIOR 2024 AD VALOREM TAX	10-3010-241	0	2,278,083	2,234,454	9,000	3,000
PRIOR 2025 AD VALOREM TAX	10-3010-251	0	0	0	2,317,018	10,000
2026 AD VALOREM TAX	10-3010-261	0	0	0	0	2,371,770
FIRE DISTRICT TAX	10-3050-000	0	0	0	0	742,338
MOTOR VEHICLE TAX	10-3100-000	234,144	226,338	222,000	200,000	237,975
TAX REFUNDS	10-3120-001	-8,256	-7,885	-7,885	-10,545	-11,044
TAX PENALTY & INTEREST	10-3170-000	6,159	8,482	10,000	6,000	6,000
OCCUPANCY TAX	10-3200-000	152,845	106,670	95,000	95,000	160,000
INTEREST ON INVESTMENTS	10-3290-000	708,323	772,394	243,000	435,000	223,612
ABC STORE	10-3330-000	42,598	135,329	133,000	165,000	165,000
RENTS	10-3310-000	78,309	75,132	74,400	74,400	74,400
DONATIONS	10-3350-000	60		0	0	0
DONATIONS-RECREATION	10-3350-002	0		0	0	0
OTHER	10-3350-030	6,321	-30,250	3,700	2,500	2,500
UTILITY FRANCHISE TAX	10-3370-000	454,423	493,032	440,000	440,000	440,000
ALCOHOL/BEVERAGE TAX	10-3410-000	23,925	19,791	19,500	22,000	22,000
POWELL BILL ST ALLOCATION	10-3430-000	183,431	201,179	166,300	198,300	198,300
UNRESTRICTED SALES TAX	10-3450-010	1,878,993	1,929,943	1,879,492	1,879,492	1,879,492
ALARM PERMIT FEES	10-3530-010	0	0	0	0	0
JAIL FEES	10-3580-000	864	800	500	500	500
REFUSE COLLECTION FEES	10-3590-000	210,550	212,075	210,000	210,000	225,000
RECYCLE FEES	10-3590-010	46,189	87,499	86,000	86,000	90,000
SOLID WASTE DISPOSAL TX	10-3590-020	3,886	3,832	3,800	3,800	3,800
CEMETERY REVENUES	10-3610-000	15,600	1,600	5,000	0	0
SALES TAX CERTIFICATION REFUND	10-3670-000	0	2,254	5,000	5,000	5,000
SALE OF REAL PROPERTY	10-3820-000	0	0	0	0	0
SALE OF FIXED ASSETS	10-3830-000	11,700	180	0	0	0
ABATEMENTS	10-3930-001	1,450	325	0	0	0
HOUSING AUTHORITY	10-3970-020	26,188	28,205	20,000	26,000	26,000
PARAMOUNT FORD	10-3970-021	2,792	1,944	1,910	1,910	1,910
XTREME MACHINES	10-3970-022	1,120	683	809	809	809
ORS FACILITY RENTALS	10-3970-025	21,046	21,784	22,075	22,075	23,375
ORS AUDITORIUM & TICKET SALES	10-3970-026	53,720	62,612	58,000	58,000	85,000
ORS LEASES	10-3970-027	31,493	29,691	25,492	25,492	25,492
C.A. TOURS	10-3970-028	195	0	1,000	600	600
YOUTH SPORTS REGISTRATION FEES	10-3970-029	11,366	18,302	14,500	15,500	15,500
COMMUNITY CENTER MEMBERSHIP	10-3970-030	145,243	132,756	153,500	150,000	150,000
COMMUNITY CENTER CONCESSIONS	10-3970-031	50,620	48,351	44,000	48,000	48,000
SUMMER SWIM TEAM	10-3970-032	3,829	4,837	4,500	4,000	4,500
BOWLING	10-3970-033	52,289	52,440	55,000	52,500	77,500
VENDING	10-3970-034	1,651	1,218	1,200	1,500	1,500
RECREATION CREDIT CARD FEES	10-3970-035	3,020	3,134	3,000	3,000	3,000
WALDENSIAN FOOTRACE	10-3970-036	4,943	3,929	4,000	3,500	4,000
MCGALLIARD FALLS CONCESSIONS	10-3970-038	3,776	6,476	4,000	3,600	6,250
RECREATION MISC REV & PARK REVENUES	10-3970-039	34,630	27,932	32,000	32,000	32,000
ORS FACILITY FEES	10-3970-126	1,773	2,391	2,000	2,000	2,000
TEACHERS COTTAGE RENTALS	10-3970-127	5,424	6,359	8,000	8,000	8,000
MERCHANDISE SALES	10-3970-128	0	0	2,000	3,000	3,000
C. A. CONCESSIONS	10-3970-129	3,354	2,028	3,000	3,400	3,500
PRO RATA	10-3970-300	1,100,000	1,008,334	1,100,000	1,100,000	1,300,000
CAPITAL PROJECTS	10-3970-302	221,000	221,000	221,000	221,000	221,000
FESTIVAL	10-3970-920	24,765	21,450	20,000	23,500	23,250
TRANSFER FROM CAPITAL RESERVE	10-3970-930	0	0	0	0	0
FUND BALANCE APPROPRIATED	10-3990-000	-510,290	-200,412	-23,757	-2,990	0
POWELL BILL FUND BALANCE	10-3991-000	0	0	0	0	0
PROCEEDS FROM FINANCING	10-3995-001	0	0	0	0	0
PROCEEDS FROM GRANTS	10-3995-002	0	0	0	30,000	0
TOTAL		5,345,461	8,022,247	7,600,490	7,974,861	8,915,829

Mr. Weichel then discussed General Fund revenues in greater detail, pointing out that the 2026 Ad Valorem Taxes were based on a 41.5 cent ad valorem tax rate. He noted that this was similar compared to the prior year, but was a small increase. Mr. Weichel moved to the Fire District Tax, which he noted was a new tax being proposed in the budget. He explained that this was similar to the County's fire district tax, which was collected separately from ad valorem tax. Mr. Weichel reported that the figure associated with the fire district tax represented a thirteen (13) cent tax rate. He explained that the ad valorem tax, combined with the fire tax, reset Valdese's tax rate back to 54.5. Mr. Weichel displayed a graphic which showed that the Town's ad valorem tax rate had been 54.5 cents per \$100 for years prior, until 2024.

Mr. Weichel reported that an important aspect of the fire district tax was that it could strictly be spent on fire department related activities. He added that since this tax was a separate tax, once the debt service of the public safety building had been satisfied, the Council, at that time, could then readjust this tax rate as they saw fit.

Town Manager Herms disclosed he had gone over the Town's debt figures with the Council and gave an example of the Town Hall, where the Town currently owed more on the loan than the building had cost to construct. He explained that the reason for the debt figures was due to the Town taking multiple USDA loans over the years, which were great for keeping payments small, but noted one was upside-down for almost the entirety of the loan. Town Manager Herms also provided that USDA loans did not require LGC approval. He added that since the Town was pursuing a 20-year

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loan, for the public safety building, LGC approval would be required. Town Manager Herms reported that the Town had approximately 9 loans, half of which the Town was upside-down on.

Councilwoman Radabaugh asked if there was a penalty to paying off USDA loans early. Town Manager Herms responded in the affirmative, and added that it would not make economic sense as the Town would not gain anything.

Town Manager Herms stated the Town had explored making a larger down payment on the public safety building, in order to make the loan smaller, but provided that it may not be the desirable option, as it would drop the Town's fund balance.

Mr. Weichel added that the USDA loan process was much more costly, intensive, and involved than the LGC route.

Councilman Ogle asked Mr. Weichel to clarify how the fire district tax worked. Mr. Weichel explained that the new tax would be listed separately from the ad valorem tax on the budget ordinance. Councilwoman Zimmerman asked if it would be a separate line on individuals tax bills. Mr. Weichel responded in the affirmative. Mayor Pro Tem Lowman asked if the fire district tax would be used for the debt service of the fire department. Mr. Weichel answered in the affirmative, and added that it would also go to generally supporting the fire department.

Mr. Weichel pointed out that interest on investments were projected to go down, as fund balance was used for the public safety building, decreasing idle funds which were invested. He also reported that sales tax was projected to stay consistent and that there was a slight increase in trash collection.

Rates & Fee Schedule:

During the budget discussion on rates and fees, Mr. Weichel noted that there are several increases that are proposed for the Old Rock School in the upcoming fiscal year, providing that these involved leases and usage rates.

For the Recreation Center, staff recommended keeping fees flat for the coming year with the exception of the bowling center introducing a Sunday party package, increasing lane rentals, and increasing games rates.

Mayor Pro Tem Lowman asked why the Town decided to not increase rates for out-of-town aquatic and fitness center memberships. Mr. Weichel answered that this was due to the Town having recently increased those rates, as well as wanting to keep the Town's rates competitive.

In Public Works, a fee increase was proposed for construction debris dumpster rentals. The current rate of \$100 would be raised to \$125, as well as a solid waste fee increase on residential trash and small user fees for small businesses.

In the Planning Department, there are a few new fees that the new Town Planner had identified that were in the Town's Ordinance but not in the fee schedule.

Finally, the Fire Department proposed no increases due to a lot of changes last year.

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. Not much has changed.

2026-2027 Budget Allocation						
GOVERNING BODY						
Line Item Description	Account Code	2023-24 Actual	2024-25 Actual	2024-25 Budget	2025-26 Budget	2026-27 Recommended
SALARIES & WAGES	10-4100-020	16,900	28,050	28,750	42,000	50,000
PROFESSIONAL SERVICES	10-4100-040	0		0	0	0
FICA TAX	10-4100-050	1,232	2,093	2,199	3,213	3,825
GROUP INSURANCE	10-4100-060	44,662	9,001	25,388	0	0
TRAINING	10-4100-140	1,105	2,126	2,500	2,500	3,500
DEPT SUPPLIES	10-4100-330	49	93	100	100	100
IT	10-4100-490	0		0	3,000	1,000
DUES AND SUBSCRIPTIONS	10-4100-530	0		0	0	0
MISCELLANEOUS	10-4100-570	999	36	500	500	500
CAPITAL OUTLAY	10-4100-740	0		0	0	0
CONTINGENCY	10-4100-999	0		0	0	0
TOTAL		64,947	41,399	59,437	51,313	58,925

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ADMINISTRATION Mr. Weichel stated that the administrative budget looked high, but included many items from other departments, such as workers compensation insurance and property liability insurance. He added that the Town Hall debt service payment was also housed in this budget and that there were overall not many changes.

2026-2027 Budget Allocation						
ADMINISTRATION						
Line Item Description	Account Code	2023-24 Actual	2024-25 Actual	2024-25 Budget	2025-26 Budget	2026-27 Recommended
SALARIES & WAGES	10-4200-020	479,342	379,179	467,809	514,322	591,924
PART TIME PAY	10-4200-022	8,899	8,592	18,800	18,800	0
PROFESSIONAL SERVICES	10-4200-040	134,035	97,619	162,915	148,465	114,475
HEALTH REIMBURSEMENT (HRA)	10-4200-041	30,563	40,872	60,000	65,000	60,000
FICA TAX	10-4200-050	35,876	29,110	36,959	40,533	42,954
GROUP INSURANCE	10-4200-060	39,823	38,462	48,775	48,763	57,550
RETIREMENT	10-4200-070	43,020	47,587	62,608	72,777	84,156
UNEMPLOYMENT CHARGES	10-4200-080	2,625	3,000	3,000	4,000	4,000
TELEPHONE & INTERNET	10-4200-110	21,938	20,966	24,350	24,750	28,000
POSTAGE	10-4200-111	2,619	2,512	4,000	4,000	4,000
PRINTING	10-4200-120	298	1,738	3,100	2,725	2,725
ELECTRIC	10-4200-130	9,599	10,441	10,500	10,500	11,000
TRAINING	10-4200-140	10,915	5,295	11,010	14,610	16,560
MAINT & REPAIR BLDG & GROUN	10-4200-150	14,349	14,259	17,045	17,045	17,045
MAINT & REPAIR - EQUIP	10-4200-160	3,249	4,314	4,600	4,600	4,000
MAINT & REPAIR - AUTO	10-4200-170	0	0	250	250	250
ADVERTISING	10-4200-260	2,850	2,671	2,850	2,850	4,850
AUTO SUPPLIES GAS	10-4200-311	250	104	1,000	1,000	1,000
AUTO SUPPLIES TIRES	10-4200-313	0	0	0	0	600
AUTO SUPPLIES OIL	10-4200-314	0	15	50	50	75
DEPT SUPPLIES & MATL	10-4200-330	11,497	13,703	15,100	15,100	15,530
CONTRACTED SERVICES	10-4200-450	29,806	29,065	38,820	30,420	32,500
IT	10-4200-490	54,798	58,167	77,830	79,580	80,600
DUES & SUBSCRIPTIONS	10-4200-530	20,477	17,848	14,800	14,103	15,486
INSURANCE & BONDS	10-4200-540	132,635	142,546	156,500	181,500	191,500
MISC EXPENSE	10-4200-570	11,759	7,297	10,350	15,750	12,600
CAPITAL OUTLAY	10-4200-740	28,316	5,592	22,000	60,000	10,000
ECONOMIC DEVELOPMENT GRAN	10-4200-763	0		0	0	0
BURKE COUNTY LIBRARY	10-4200-930	40,000	40,000	40,000	40,000	10,000
DEBT SERVICE	10-4200-962	88,878	88,878	88,878	88,878	88,878
TRANSFER TO CAPITAL RESERVE	10-4200-963	0		0	0	0
CONTINGENCY	10-4200-990	0		0	0	0
TOTAL		1,258,416	1,109,832	1,403,899	1,520,371	1,502,258

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.

Mr. Weichel provided there were not many substantial changes to this budget.

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**2026-2027 Budget Allocation
PUBLIC WORKS ADMIN**

Line Item Description	Account Code	2023-24 Actual	2024-25 Actual	2024-25 Budget	2025-26 Budget	2026-27 Recommended
SALARIES & WAGES	10-4250-020	93,720	98,252	98,202	103,020	116,984
OVER TIME PAY	10-4250-021	578	847	1,521	2,167	1,914
PART TIME PAY	10-4250-022	0	0	0	0	0
PROFESSIONAL SERVICES	10-4250-040	0	300	550	550	550
FICA TAX PAYABLE	10-4250-050	6,914	7,207	7,549	7,967	8,608
GROUP INSURANCE	10-4250-060	17,182	18,541	18,730	18,335	21,599
RETIREMENT PAYABLE	10-4250-070	12,040	13,395	13,480	15,008	17,048
PRINTING	10-4250-120	0	0	500	500	500
ELECTRIC	10-4250-130	9,037	8,534	7,560	8,920	8,920
NATURAL GAS	10-4250-131	2,997	3,147	3,150	3,150	3,150
TRAINING	10-4250-140	1,196	534	2,500	2,500	3,000
MAINT & REPAIR BLDGS & GROU	10-4250-150	7,319	13,741	12,500	12,500	13,000
MAINT & REPAIR EQUIP	10-4250-160	1,152	1,123	4,000	4,000	4,500
MAINT & REPAIR AUTO	10-4250-170	1,486	605	1,500	1,500	1,500
AUTO SUPPLIES GAS	10-4250-311	5,720	2,715	5,500	5,500	5,500
AUTO SUPPLIES TIRES	10-4250-313	819	1,340	1,420	1,420	1,420
AUTO SUPPLIES OIL	10-4250-314	162	148	184	184	184
DEPT SUPPLIES & MATERIAL	10-4250-330	3,062	9,994	15,000	15,000	15,000
CHEMICALS	10-4250-332	500	0	500	500	500
UNIFORMS	10-4250-360	1,527	1,317	800	1,720	1,720
CONTRACTED SERVICES	10-4250-450	3,845	6,679	10,016	12,516	12,516
IT	10-4250-490	0	0	0	0	2,500
DUES & SUBSCRIPTIONS	10-4250-530	1,790	1,120	2,325	2,325	2,400
MISC EXPENSE	10-4250-570	0	0	0	0	0
CAPITAL OUTLAY	10-4250-740	23,207	87,650	35,000	7,000	0
TOTAL		194,253	277,189	242,487	226,282	243,014

PUBLIC WORKS GROUNDS & MAINTENANCE Mr. Weichel explained for the Grounds and Maintenance department, the budget remained relatively flat compared to the prior year, but added there was additional capital outlay proposed for this cycle.

**2026-2027 Budget Allocation
GROUNDS AND MAINTENANCE**

Line Item Description	Account Code	2023-24 Actual	2024-25 Actual	2024-25 Budget	2025-26 Budget	2026-27 Recommended
SALARIES & WAGES	10-4350-020	156,398	142,522	156,984	158,433	174,188
OVER TIME PAY	10-4350-021	5,454	4,775	6,268	7,751	6,923
PART TIME PAY	10-4350-022	14,701	21,645	10,400	16,280	22,000
FICA TAX	10-4350-050	13,147	12,561	13,165	13,839	14,767
GROUP INSURANCE	10-4350-060	31,298	29,568	37,244	36,455	43,031
RETIREMENT	10-4350-070	20,765	19,431	22,087	23,722	25,911
TRAINING	10-4350-140	0	287	400	400	400
MAINT & REPAIR BLDGS & GROU	10-4350-150	3,171	8,116	7,150	7,150	7,300
MAINT & REPAIR EQUIP	10-4350-160	2,656	1,650	3,480	3,480	3,480
MAINT & REPAIR AUTO	10-4350-170	275	1,125	1,500	1,500	1,500
AUTO SUPPLIES - GAS	10-4350-311	6500	4687	6,500	6,500	6,500
AUTO SUPPLIES DIESEL	10-4350-312	253	297	928	928	928
AUTO SUPPLIES - TIRES	10-4350-313	493	873	1,350	1,350	1,450
AUTO SUPPLIES - OIL	10-4350-314	234	497	566	566	600
DEPT SUPPLIES & MATERIAL	10-4350-330	3590	626	4,250	4,250	4,850
CHEMICALS	10-4350-332	2444	2018	2,500	2,500	2,500
UNIFORMS	10-4350-360	2142	1661	2,400	3,072	3,100
CONTRACT SERVICES	10-4350-450	0	300	500	500	500
HELPING HANDS	10-4350-451	0	0	4,800	0	0
IT	10-4350-490	0	0	0	0	0
MISC EXPENSE	10-4350-570	1222	1515	2,500	2,500	2,500
CAPITAL OUTLAY	10-4350-740	0	1,207	3,000	0	61,000
ARBOR BEAUTIFICATION	10-4350-927	3,726	3,201	10,800	10,800	11,000
TOTAL		268,469	258,562	298,772	301,976	394,428

PLANNING DEPARTMENT Mr. Weichel reviewed the Planning Department budget, noting that there were quite a few differences compared to the prior year, as the Town had employed a full-time planner.

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**2026-2027 Budget Allocation
PLANNING**

Line Item Description	Account Code	2023-24 Actual	2024-25 Actual	2024-25 Budget	2025-26 Budget	2026-27 Recommended
SALARIES & WAGES	10-4900-020	650	0	0	0	67,916
PART TIME PAY	10-4900-022	44,083	35,498	41,900	0	0
PROFESSIONAL SERVICES	10-4900-040	92	718	7,000	7,000	7,000
FICA TAX	10-4900-050	3,316	1,232	3,205	0	4,912
GROUP INSURANCE	10-4900-060	0	0	9,155	0	11,241
RETIREMENT	10-4900-070	0	0	0	0	9,727
TRAINING	10-4900-140	0	0	500	500	3,700
MAINT & REPAIR BLDG & GROUN	10-4900-150	0	0	0	0	0
MAINT & REPAIR EQUIP	10-4900-160	0	0	3,500	3,500	1,000
ADVERTISING	10-4900-260	0	187	1,125	1,125	1,125
DEPT SUPPLIES & MATL	10-4900-330	700	15	700	700	700
CONTRACTED SERVICES	10-4900-450	0	0	3,000	59,400	6,000
ABATEMENTS	10-4900-451	555	810	7,000	7,000	2,000
IT	10-4900-490	0	0	0	0	0
DUES & SUBSCRIPTIONS	10-4900-530	144	0	344	200	200
MISC EXPENSE	10-4900-570	572	0	1,000	300	600
CAPITAL OUTLAY	10-4900-740	11,332	20,966	0	0	0
TOTAL		61,444	59,426	78,429	79,725	116,122

POLICE DEPARTMENT Mr. Weichel explained the Police Department budget included the proposed pay study, as did all other budgets, which meant some of the largest changes were related to salaries. He added that there were not many significant changes other than the salaries.

**2026-2027 Budget Allocation
POLICE**

Line Item Description	Account Code	2023-24 Actual	2024-25 Actual	2024-25 Budget	2025-26 Budget	2026-27 Recommended
SALARIES & WAGES	10-5100-020	695,591	765,503	745,532	776,373	939,038
OVER TIME PAY	10-5100-021	12,339	21,625	16,624	20,579	27,056
PART TIME PAY	10-5100-022	7,568	8,214	10,560	10,560	26,190
HOLIDAY PAY	10-5100-024	12,952	23,377	29,186	29,186	45,093
PROFESSIONAL SERVICES	10-5100-040	1,860	1,169	1,800	1,800	2,150
FICA TAX	10-5100-050	54,527	60,295	60,868	64,007	79,359
GROUP INSURANCE	10-5100-060	114,501	137,584	138,482	135,534	160,562
DEFERRED COMP 401K	10-5100-065	31,557	36,412	36,089	38,034	47,120
RETIREMENT	10-5100-070	97,583	116,371	114,463	128,857	168,530
TELEPHONE	10-5100-110	6,415	9,345	6,471	13,231	13,231
POSTAGE	10-5100-111	344	1,114	1,000	1,000	1,000
PRINTING	10-5100-120	0	158	500	500	500
ELECTRIC	10-5100-130	0	925	0	1,800	1,800
NATURAL GAS	10-5100-131	0	140	0	360	360
TRAINING	10-5100-140	1,582	1,873	7,500	7,500	7,500
MAINT & REPAIR BLDG & GROUN	10-5100-150	2,463	539	2,688	2,688	2,688
MAINT & REPAIR EQUIP	10-5100-160	2,448	1,712	4,517	4,517	8,094
MAINT & REPAIR AUTO	10-5100-170	8,334	19,109	13,275	15,075	15,075
ADVERTISING	10-5100-260	0	0	0	0	0
AUTO SUPPLIES GAS	10-5100-311	46,693	29,835	45,000	45,000	45,000
AUTO SUPPLIES TIRES	10-5100-313	4,212	2,464	5,500	5,500	5,500
AUTO SUPPLIES OIL	10-5100-314	1,920	1,870	2,000	2,000	2,000
DEPT SUPPLIES & MATL	10-5100-330	23,887	61,637	22,920	23,099	29,889
UNIFORMS	10-5100-360	18,229	16,332	15,340	19,587	23,087
CONTRACTED SERVICES	10-5100-450	26,711	11,778	14,228	18,410	34,400
IT	10-5100-490	8,802	12,062	13,334	10,572	10,572
DUES & SUBSCRIPTIONS	10-5100-530	119	0	224	724	724
INSURANCE & BONDS	10-5100-540	0	2,065	0	0	0
MISC EXPENSE	10-5100-570	0	0	0	0	0
CAPITAL OUTLAY	10-5100-740	44,672	60,041	56,000	67,000	69,000
DEBT SERVICE - CARS	10-5100-910	18,471	18,471	18,471	0	0
TOTAL		1,243,780	1,422,020	1,382,572	1,443,493	1,765,519

FIRE DEPARTMENT Mr. Weichel reported that the part time pay showed an increase to help put an extra part-time person, allowing the Town to have two people on shift at all times. He continued that it was more cost effective to have more part-time employees when compared to additional full-time employees. Mr. Weichel noted that there was a recommended increase to the transfer to public safety building which would come from the fire tax increase.

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Mayor Huffman asked if the Town anticipated a reduction in volunteerism in the years to come. Fire Chief Walton answered in the affirmative. Mayor Huffman asked how the reduction would be considered in long term projections. Mr. Weichel reported that the part-time pay increase was directed at this issue.

2026-2027 Budget Allocation						
FIRE						
Line Item Description	Account Code	2023-24 Actual	2024-25 Actual	2024-25 Budget	2025-26 Budget	2026-27 Recommended
SALARIES & WAGES	10-5300-020	352,382	310,923	368,544	382,698	489,048
OVER TIME PAY	10-5300-021	2,880	10,192	1,000	3,591	1,000
PART TIME PAY	10-5300-022	47,750	38,572	65,875	68,195	160,369
EXTRA DUTY HOURS	10-5300-024	30,570	51,561	41,400	41,400	51,612
PROFESSIONAL WAGES	10-5300-040	5,755	5,321	6,980	6,810	5,380
FICA TAX	10-5300-050	33,315	31,602	36,357	37,816	51,842
GROUP INSURANCE	10-5300-060	77,456	76,862	86,534	85,852	101,162
RETIREMENT	10-5300-070	49,342	50,686	55,922	61,405	78,372
TELEPHONE	10-5300-110	457	858	1,080	804	804
POSTAGE	10-5300-111	200	200	200	200	200
PRINTING	10-5300-120	700	500	500	500	500
ELECTRIC	10-5300-130	14,180	15,031	15,840	15,840	14,340
NATURAL GAS	10-5300-131	3,579	2,303	5,005	5,005	4,205
TRAINING	10-5300-140	13,526	19,013	19,320	19,320	19,320
MAINT & REPAIR BLDGS & GROUNDS	10-5300-150	9,068	9,350	6,900	6,600	6,625
MAINT & REPAIR EQUIP	10-5300-160	10,165	12,210	12,210	13,235	13,235
MAINT & REPAIR AUTO	10-5300-170	16,450	28,465	19,110	19,511	19,011
ADVERTISING	10-5300-260	0	0	0	0	0
AUTO SUPPLIES GAS	10-5300-311	2,251	1,666	2,530	3,830	3,780
AUTO SUPPLIES DIESEL	10-5300-312	7,650	5,992	10,350	10,643	10,643
AUTO SUPPLIES TIRES	10-5300-313	13,839	594	10,600	5,000	5,000
AUTO SUPPLIES OIL	10-5300-314	1,993	1,775	2,025	2,125	2,125
DEPT SUPPLIES & MATL	10-5300-330	52,222	120,489	38,955	39,155	41,655
UNIFORMS	10-5300-360	5,214	6,967	7,000	7,000	7,000
CONTRACTED SERVICES	10-5300-450	0	26,098	0	16,800	16,800
IT	10-5300-490	8,735	9,000	9,000	10,700	11,200
DUES & SUBSCRIPTIONS	10-5300-530	3,961	5,621	6,545	6,500	7,375
INSURANCE & BONDS	10-5300-540	22,735	26,348	25,815	28,815	30,842
MISC EXPENSE	10-5300-570	0	0	0	0	0
SAFETY	10-5300-572	8,061	9,595	9,660	10,160	11,010
TRANSFER TO PUBLIC SAFETY BUILDING	10-5300-720	324,000	0	0	0	105,214
CAPITAL OUTLAY	10-5300-740	0	75,000	75,000	0	0
DEBT SERVICE - ENG #1	10-5300-910	26,908	0	0	0	0
DEBT SERVICE LADDER TRK	10-5300-912	52,761	52,761	52,761	52,761	52,761
TOTAL		1,198,105	1,005,555	993,018	962,271	1,322,430

PUBLIC WORKS STREETS Mr. Weichel explained the Street Department transfer to street project fund had increased to go towards the large street paving project.

2026-2027 Budget Allocation						
STREET						
Line Item Description	Account Code	2023-24 Actual	2024-25 Actual	2024-25 Budget	2025-26 Budget	2026-27 Recommended
SALARIES & WAGES	10-5600-020	145,920	143,177	153,106	158,953	172,876
OVER TIME PAY	10-5600-021	4,967	5,390	6,112	8,138	6,879
PART TIME PAY	10-5600-022	0	0	0	0	0
PROFESSIONAL SERVICES	10-5600-040	0	0	1,000	1,000	1,000
FICA TAX	10-5600-050	11,125	10,929	12,021	12,623	12,984
GROUP INSURANCE	10-5600-060	33,623	33,910	37,148	37,226	43,028
RETIREMENT	10-5600-070	19,211	20,032	21,465	23,778	25,713
ELECTRIC	10-5600-130	2,160	2,225	2,064	2,232	2,232
ELECTRIC - STREET LIGHTS	10-5600-133	70,082	98,355	102,948	102,948	102,948
ELECTRIC - TRAFFIC LIGHTS	10-5600-134	827	989	1,344	1,344	1,344
TRAINING	10-5600-140	0	200	1,000	1,000	1,000
MAINT & REPAIR BLDGS & GROUNDS	10-5600-150	10,976	13,818	17,100	16,100	16,400
MAINT & REPAIR EQUIP	10-5600-160	11,672	9,987	10,000	10,000	10,000
MAINT & REPAIR AUTO	10-5600-170	6,831	9,197	12,000	12,000	12,000
AUTO SUPPLIES GAS	10-5600-311	3,800	3,048	3,800	3,800	3,800
AUTO SUPPLIES DIESEL	10-5600-312	13,834	9,553	16,047	16,047	16,047
AUTO SUPPLIES TIRES	10-5600-313	828	1,194	5,500	5,500	5,500
AUTO SUPPLIES OIL	10-5600-314	490	2,185	2,954	2,954	2,954
DEPT SUPPLIES & MATL	10-5600-330	4,352	711	8,600	8,600	9,600
CHEMICALS	10-5600-332	1,928	2,000	2,000	2,000	2,000
UNIFORMS	10-5600-360	2,400	2,577	2,800	3,472	3,472
CONTRACTED SERVICES	10-5600-450	1,079	1,059	1,080	1,080	1,080
IT	10-5600-490	0	0	0	0	0
CAPITAL OUTLAY	10-5600-740	0	0	0	65,000	6,000
TRANSFER TO STREETS PROJECT FUND	10-5600-900	225,000	375,000	375,000	200,000	375,000
DEBT SERVICE	10-5600-910	53,743	53,743	53,743	53,743	53,743
TOTAL		624,848	799,279	848,833	749,538	833,856

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POWELL BILL Mr. Weichel noted no changes had been made since last year.

Councilman Ogle asked what the \$125,000 in capital outlay was for. Mr. Weichel answered that this was a transfer to the street paving project fund, to allow it to total \$500,000.

2026-2027 Budget Allocation						
POWELL BILL						
Line Item Description	Account Code	2023-24 Actual	2024-25 Actual	2024-25 Budget	2025-26 Budget	2026-27 Recommended
SALARIES & WAGES	10-5700-020	0	0	0	0	0
OVER TIME PAY	10-5700-021	0	0	0	0	0
PROFESSIONAL SERVICES	10-5700-040	0	0	0	0	0
PROF SERVICES PAVING PROJECT	10-5700-041	0	0	0	0	0
FICA TAX	10-5700-050	0	0	0	0	0
GROUP INSURANCE	10-5700-060	0	0	0	0	0
RETIREMENT	10-5700-070	0	0	0	0	0
MAINT & REPAIR BLDG & GRDS	10-5700-150	0	3,338	4,000	4,000	4,000
MAINT & REPAIR - PATCHING	10-5700-151	7,927	7,988	8,000	25,000	25,000
RIGHT OF WAY	10-5700-153	0	0	0	0	0
DRAINAGE AND STORM SEWER	10-5700-154	5,299	1,329	3,000	3,000	3,000
SNOW AND ICE REMOVAL	10-5700-155	553	3,154	3,800	3,800	3,800
MAINT & REPAIR EQUIP	10-5700-160	0	0	0	0	0
MAINT & REPAIR VEHICLE	10-5700-170	0	0	0	0	0
DEPT SUPPLIES & MATL	10-5700-330	2,280	89	2,500	2,500	2,500
CONTRACTED SERVICES	10-5700-450	0	0	0	0	0
MISC EXPENSE	10-5700-570	0	0	0	0	0
CAPITAL OUTLAY OTHER	10-5700-720	0	0	0	0	0
CRACK SEALING	10-5700-721	0	0	0	0	0
CAPITAL OUTLAY SIDEWALKS	10-5700-730	0	0	20,000	35,000	35,000
CAPITAL OUTLAY	10-5700-740	0	125,000	125,000	125,000	125,000
DEBT SERVICE	10-5700-910	125,000	0	0	0	0
TOTAL		141,059	140,898	166,300	198,300	198,300

PUBLIC WORKS SANITATION Mr. Weichel noted no big changes had been made, noting that contracted services slightly increased as the Town's contract with Simply Green had a 3% annual increase built into it.

2026-2027 Budget Allocation						
SANITATION						
Line Item Description	Account Code	2023-24 Actual	2024-25 Actual	2024-25 Budget	2025-26 Budget	2026-27 Recommended
SALARIES & WAGES	10-5800-020	35,215	36,937	36,931	38,732	41,856
OVER TIME PAY	10-5800-021	819	1,243	1,434	1,932	1,633
PART TIME PAY	10-5800-022	0	0	0	0	0
PROFESSIONAL SERVICES	10-5800-040	0	0	0	0	0
FICA TAX	10-5800-050	2,717	2,881	2,895	3,071	3,143
GROUP INSURANCE	10-5800-060	8,557	9,197	9,311	9,114	10,751
RETIREMENT	10-5800-070	4,585	5,145	5,170	5,785	6,224
POSTAGE	10-5800-111	1,025	769	3,000	3,000	3,000
PRINTING EXPENSE	10-5800-120	30	900	900	1,000	1,500
TRAINING	10-5800-140	0	0	0	0	0
MAINT. & REPAIR EQUIPMENT	10-5800-160	51	0	2,000	3,650	3,650
MAINT. & REPAIR AUTO & TRUCK	10-5800-170	1,055	137	5,000	5,000	5,000
ADVERTISEMENT	10-5800-260	0	0	600	600	600
AUTO SUPPLIES GAS	10-5800-311	2,902	2,218	4,000	4,000	4,000
AUTO SUPPLIES DIESEL	10-5800-312	1,487	867	1,500	1,500	1,500
AUTO SUPPLIES TIRES	10-5800-313	103	1,690	2,290	2,290	2,290
AUTO SUPPLIES OIL	10-5800-314	600	102	628	628	628
DEPT SUPPLIES & MATERIALS	10-5800-330	1,156	1,242	1,400	1,400	1,600
CHEMICAL	10-5800-332	103	162	200	200	200
UNIFORMS	10-5800-360	586	399	1,260	768	768
CONTRACTED SERVICES	10-5800-450	294,308	337,810	304,400	296,864	308,683
IT	10-5800-490	0	0	0	0	0
MISCELLANEOUS EXPENSE	10-5800-570	0	0	0	0	0
CAPITAL OUTLAY	10-5800-740	160,092	3,042	0	230,000	0
DEBT SERVICE	10-5800-910	0	0	0	0	0
TOTAL		515,391	404,741	382,919	609,534	397,025

PARKS & RECREATION During the Recreation Department's budget discussion, Mr. Weichel explained that the "Part-Time Pay" line item has been increased due to the pay study recommendation.

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Councilman Ogle asked what kind of contracted services were included in the Recreation Department. Mr. Andersen answered that these services included bowling maintenance, HVAC maintenance, copier services, and the pool bubble.

2026-2027 Budget Allocation						
RECREATION						
Line Item Description	Account Code	2023-24 Actual	2024-25 Actual	2024-25 Budget	2025-26 Budget	2026-27 Recommended
SALARIES & WAGES	10-6200-020	276,237	290,119	292,874	307,845	323,871
OVER TIME PAY	10-6200-021	0	0	0	0	0
PART-TIME PAY	10-6200-022	257,192	267,314	284,784	293,756	347,138
PROFESSIONAL SERVICES	10-6200-040	987	1,164	1,000	1,000	1,650
FICA TAX	10-6200-050	39,761	41,099	44,111	45,943	50,027
GROUP INSURANCE	10-6200-060	56,124	55,970	56,550	55,414	54,729
RETIREMENT	10-6200-070	35,551	39,631	39,865	44,211	46,481
TELEPHONE	10-6200-110	1,049	394	400	400	200
POSTAGE	10-6200-111	0	0	0	0	0
PRINTING	10-6200-120	0	0	0	0	0
ELECTRIC	10-6200-130	45,052	48,080	40,000	45,000	58,500
NATURAL GAS	10-6200-131	47,228	36,026	50,000	45,000	58,500
TRAINING	10-6200-140	2,498	2,730	3,000	2,500	2,500
MAINT & REPAIR BLDGS	10-6200-150	58,592	60,775	22,800	19,900	23,800
PARK REPAIRS	10-6200-151	8,281	24,725	9,300	10,900	11,000
MAINT & REPAIR EQUIPMENT	10-6200-160	16,740	16,165	16,500	19,740	16,815
MAINT & REPAIR AUTO	10-6200-170	909	782	1,000	1,000	1,000
ADVERTISING	10-6200-260	1,032	1,434	1,500	1,500	2,000
AUTO SUPPLIES GAS	10-6200-311	3,984	1,826	3,500	3,500	3,500
AUTO SUPPLIES TIRES	10-6200-313	0	0	0	600	800
AUTO SUPPLIES OIL	10-6200-314	0	51	240	240	240
DEPT SUPPLIES & MATERIALS	10-6200-330	22,464	31,912	32,050	29,950	31,900
CHEMICALS	10-6200-332	14,254	15,656	15,000	15,000	15,000
UNIFORMS	10-6200-360	1,000	1,500	1,500	1,500	750
CONTRACTED SERVICES	10-6200-450	36,671	43,198	37,200	64,200	117,700
WALDENSIAN FOOTRACE	10-6200-454	4,454	4,852	4,500	4,500	4,500
SWIM TEAM	10-6200-480	1,961	2,090	2,500	2,500	2,000
P F R CONCESSIONS	10-6200-481	35,650	32,264	33,000	33,000	34,000
P F R OTHER	10-6200-484	7,872	8,861	9,000	12,000	13,000
DUES AND SUBSCRIPTIONS	10-6200-530	4,019	3,060	3,545	3,545	3,545
CAPITAL OUTLAY	10-6200-740	110,670	93,580	79,280	42,000	33,000
DEBT SERVICE	10-6200-910	19,483	19,483	19,483	19,483	19,483
TOTAL		1,109,715	1,144,741	1,104,482	1,126,127	1,277,630

COMMUNITY AFFAIRS Mr. Weichel provided that one change made to the Community Affairs Budget was to reduce the overall number of concerts in order to reduce expenditures. Mr. Weichel continued that the Town's consolidation of concerts allowed for better quality performances while still reducing overall expenditures.

Mayor Pro Tem Lowman asked why the Valdese Tourism Commission figure had increased. Mr. Weichel provided that this was occupancy tax that was given to the Town by the Tourism Development Authority (TDA) on a reimbursement basis. Ms. Angi added that there was a large increase in occupancy tax collection due to construction worker stays during Hurricane Helene.

Councilman Ogle asked why there was an increase in contracted entertainment services. Ms. Angi provided that this was due to additional Blue Grass at the Rock concerts, which were generating more revenue than they previously had, adding that this increased figure was offset by revenue on the other end.

Ms. Angi also provided another factor increasing the entertainment line was the Independence Day fireworks, as the way the year fell, the Town was still paying holiday premium rates. She continued that the following year, this should adjust itself.

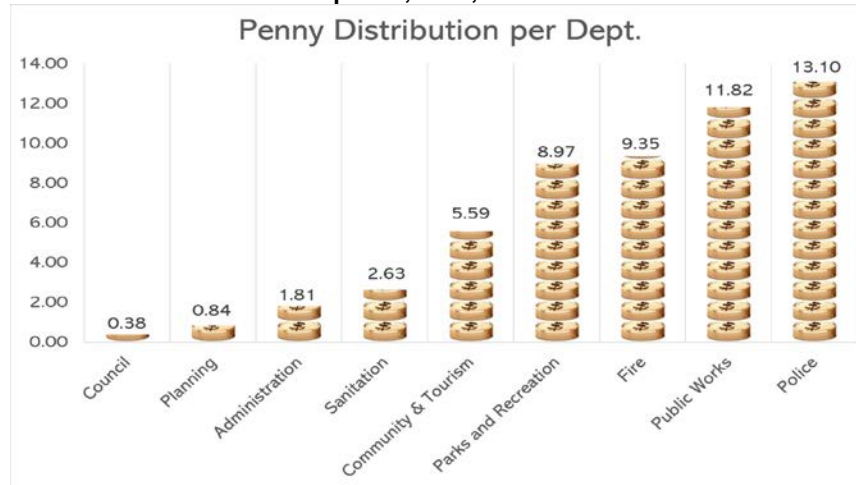
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2026-2027 Budget Allocation
COMMUNITY AFFAIRS

Line Item Description	Account Code	2023-24 Actual	2024-25 Actual	2024-25 Budget	2025-26 Budget	2026-27 Recommended
SALARIES & WAGES	10-6250-020	171,527	179,859	180,309	189,229	219,105
OVER TIME PAY	10-6250-021	0	0	0	1,942	0
PART-TIME PAY	10-6250-022	29,941	31,219	33,000	33,557	34,308
PROFESSIONAL SERVICES	10-6250-040	0	0	1,380	1,380	1,400
FICA TAX	10-6250-050	14,883	15,858	16,199	16,881	18,399
GROUP INSURANCE	10-6250-060	32,443	35,080	35,424	34,647	41,338
RETIREMENT	10-6250-070	21,986	24,417	24,417	27,043	31,437
TELEPHONE	10-6250-110	0	0	0	0	0
POSTAGE	10-6250-111	5,224	393	5,500	5,500	5,500
PRINTING	10-6250-120	4,499	4,588	4,600	4,600	4,600
ELECTRIC	10-6250-130	31,687	38,999	34,000	41,500	45,750
NATURAL GAS	10-6250-131	10,788	11,283	11,500	12,000	17,000
TRAINING & TRAVEL	10-6250-140	200	86	200	200	200
MAINT. & REPAIR BLDGS	10-6250-150	24,855	31,061	25,000	25,000	26,850
MAINT & REPAIR EQUIPMENT	10-6250-160	1,558	2,361	2,400	2,400	2,400
MAINT & REPAIR AUTO	10-6250-170	0	0	200	200	200
ADVERTISING	10-6250-260	7,780	7,626	8,000	8,000	8,000
AUTO SUPPLIES - GAS	10-6250-311	0	0	300	300	300
AUTO SUPPLIES - TIRES	10-6250-313	0	0	0	0	0
AUTO SUPPLIES - OIL	10-6250-314	0	0	100	100	100
DEPT SUPPLIES & MATERIAL	10-6250-330	6,570	6,851	7,000	7,000	7,700
EVENT SUPPLIES & DÉCOR	10-6250-331	13,928	13,430	14,000	14,000	6,500
CONCESSION STAND TRAILER	10-6250-332	3,804	4,346	4,000	4,000	3,250
CONTRACTED SERVICES	10-6250-450	31,757	40,256	31,350	40,850	43,800
CONT SERVICES ENTERTAINMENT	10-6250-452	85,997	82,592	82,475	86,775	98,450
CONT SERVICES TOURISM	10-6250-453	422	0	500	500	500
IT	10-6250-490	499	462	500	500	2,800
DUE AND SUBSCRIPTIONS	10-6250-530	1,048	1,037	1,050	1,125	1,110
WELLNESS	10-6250-572	6,993	6,007	7,000	7,000	7,000
CAPITAL OUTLAY	10-6250-740	86,863	10,705	35,000	30,000	0
BUILDING REUSE & FACADE	10-6250-920	5,000	0	5,000	5,000	0
FESTIVAL	10-6250-922	28,674	22,345	22,700	22,700	30,325
MAIN STREET PROGRAM	10-6250-924	3,001	2,591	3,000	3,000	3,000
VALDESE TOURISM COMMISSION	10-6250-925	129,412	84,919	85,000	85,000	145,000
TOTAL		946,233	687,321	720,054	711,929	806,322

YOUR PROPERTY TAX DOLLARS Mr. Weichel used the graphics which follow to help explain and visualize what portion of property tax, and budget, was allocated to each department.



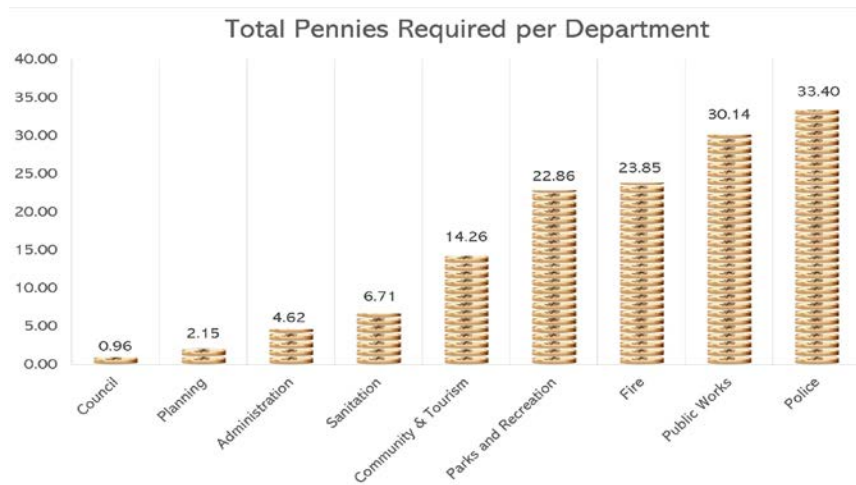


Value of a Penny



\$61,506

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



Mr. Weichel used the final graph to illustrate how many pennies on the tax rate it would take to run each department, if ad valorem tax was the Town’s sole source of revenue. He continued by identifying the fire departments need of 23.85 “pennies” on the tax rate, identifying that the fire district tax only provided 13 “pennies” out of the total needed to run that department. Mr. Weichel added that these figures did not include the public safety building.

GENERAL FUND DEBT Mr. Weichel provided that the Town Hall loan had 25 years remaining, and the Town still owed \$400,000 more than the loan was originally for. He added that this was part of the reason why the Town was considering a 20-year loan for the public safety building.

Mr. Weichel also discussed Fire Ladder Truck and Splash Park loans.

TOWN OF VALDESE General Fund Debt						
	Annual Payment	Balance Remaining	Years Remaining	Life of Loan Amounts		
				Original	Interest	Total Cost
Fire Ladder Truck (USDA-2018)	52,761	633,132	12	803,300	251,920	1,055,220
Town Hall (USDA-2011)	88,878	2,221,950	25	1,826,500	1,728,620	3,555,120
Splash Park (USDA-2018)	19,483	623,456	32	469,000	310,320	779,320
Total	161,122	3,478,538		3,098,800	2,290,860	5,389,660

At 10:15 am, Council took a break, resuming at 10:22 am.

SUMMARY OF GENERAL FUND CAPITAL IMPROVEMENT PLAN, REQUEST FORMS, RECOMMENDED CUTS

Mr. Weichel provided a summary of the Town’s General Fund ten (10) year Capital Improvement Plan (CIP). He pointed at that the Town’s needs were approximately \$500,000 to \$700,000 each year, and that this year was no different. Mr. Weichel added that cuts were made in the current year that were not sustainable, but were necessary.

Mr. Weichel noted that the Town was in the process of receiving a roof evaluation for all of its facilities, as to help identify which repairs to budget for.

Summary of General Fund Capital Improvement Plan (CIP)

	Capital Budget 2026-27	Year 2 2027-28	Year 3 2028-29	Year 4 2029-30	Year 5 2030-31	Year 6 2031-32	Year 7 2032-33	Year 8 2033-34	Year 9 2034-35	Year 10 2035-36
Capital Expenditures by Department										
Administration & Planning	10,000	27,000	40,000	60,000	25,000	2,000	10,000	10,000	-	10,000
Public Works	-	66,000	6,000	50,000	10,000	180,000	6,000	52,000	4,000	-
Streets	6,000	120,000	27,000	255,000	54,000	70,000	25,000	120,000	12,000	100,000
Sanitation	-	52,000	10,000	30,000	200,000	13,000	-	7,000	-	50,000
Grounds	61,000	5,000	48,000	4,000	18,000	80,000	18,500	10,000	2,000	1,500
Police	69,000	71,000	73,000	91,000	75,000	76,000	87,000	87,000	79,000	81,000
Fire	-	16,000	250,000	1,200,000	85,000	22,000	52,000	-	50,000	75,000
Community Affairs	-	165,000	185,000	96,000	96,000	132,000	132,000	50,000	135,000	135,000
Parks & Recreation	33,000	157,000	130,000	105,000	85,000	70,000	17,000	125,000	45,000	15,000
<i>Expense</i>	179,000	679,000	769,000	1,891,000	648,000	645,000	347,500	461,000	327,000	467,500
Financing Sources										
Operating Revenues	179,000	679,000	769,000	691,000	648,000	645,000	347,500	461,000	327,000	467,500
Grants	-	-	-	-	-	-	-	-	-	-
Loan Proceeds	-	-	-	1,200,000	-	-	-	-	-	-
Reserved/Project Funds	-	-	-	-	-	-	-	-	-	-
<i>Revenue</i>	179,000	679,000	769,000	1,891,000	648,000	645,000	347,500	461,000	327,000	467,500
Operating Revenues Required Over 10 Year Plan:										
										\$5,214,000
Loan Proceeds Over 10 Year Plan:										\$1,200,000
Total Capital Over 10 Year Plan:										\$6,414,000

General Fund Capital Improvement Plan (CIP)

DEPARTMENT	Capital Budget 2026-27		Year 2 2027-28		Year 3 2028-29		Year 4 2029-30		Year 5 2030-31		Year 6 2031-32		Year 7 2032-33		Year 8 2033-34		Year 9 2034-35		Year 10 2035-36					
	Item	Amount	Item	Amount	Item	Amount	Item	Amount	Item	Amount	Item	Amount	Item	Amount	Item	Amount	Item	Amount	Item	Amount				
Administration & Planning	Replace HVAC unit	10,000	Parking lot resurf	7,000	Kitchen / Breakrooms Renovation	30,000	Replace Town 1st Rd Roof	60,000	Replace Carpets	25,000	Refurbish Front Entry Door	2,000	Replace HVAC unit	10,000	Replace HVAC unit	10,000					Replace HVAC unit	30,000		
			Repair/ partial areas Town Hall	10,000																				
			Replace HVAC unit	10,000																				
Public Works			Ball Up (Down 8)	85,000	Scan tool for vehicles (diagnostic)	6,000	Replace 2019 Chevy Silverado 1500	30,000	Garage Heater Upgrade	10,000	Resurface Parking Lot	180,000	Garage lighting upgrade	6,000	Replace 2023 F150	53,000	Replace (3) computers	4,000						
			Garage computer	1,000																				
Street	Walk mounted blower	6,000	Replace 2006 Flat Bed	110,000	Replace 2018 John Deere Cater	15,000	Replace 1995 Single Axle Dump Truck	80,000	Replace 2020 Chevy Silverado 1500	48,000	Replace 2008 Bucket Truck	70,000	Replace 2015 asphalt roller	15,000	Replace 2022 Cat Truck Hoe	120,000	Replace 2020 equipment trailer	12,000	Replace 2012 F150 with new plow	100,000				
			Curb painting	10,000	Replace 2013 spreader box	12,000	Replace 2000 Etnash Truck	175,000	Replace salt spreader tank	6,000														
Sanitation			Ball off dumpster	7,000	Sanitize Town owned trash cans	10,000	Utility Building	30,000	Replace 2017 Trash Truck	350,000	Replace 300 trash/recycle carts	11,000										Replace 2026 F150	53,000	
			Replace 2016 F150	45,000																				
Grounds	Replace 2010 Caterpillar Mower	16,000	Replace 1998 utility trailer 2x2	5,000	Replace 2018 F150	48,000	Replace weed eaters xl	2,000	Replace 2020 Bobcat Mower	18,000	Replace 2011 F150 and emergency	80,000	Honda Pioneer 3X3700	17,000	Replace 2000 utility trailer 2x2	5,000	Replace edger xl	2,000	Backpack Sprayer xl	1,500				
	Replace 2012 F150	45,000					Replace back pack blowers xl	2,000				50-Gallon Spray Tank	1,500	Replace weed eater xl	2,000									
														Replace back pack Mower xl	2,000									
Police	Chief vehicle (replace unit 156)	49,000	Patrol Control (replace unit 121)	49,000	Patrol Vehicle (replace unit 115)	50,000	Patrol Vehicle (replace unit 113)	51,000	Patrol Vehicle (replace unit 111)	51,000	Patrol Vehicle (replace unit 123)	52,000	Patrol Vehicle (replace unit 130)	52,000	Patrol Vehicle (replace unit 134)	52,000	Patrol Vehicle (replace unit 124)	53,000	Patrol Vehicle (replace unit 126)	55,000				
	Unit 168 In-car Setup	20,000	Unit 123 In-car Setup	22,500	Unit 115 In-car Setup	23,000	Unit 110 In-car Setup	23,000	Unit 111 In-car Setup	24,000	Unit 122 In-car Setup	24,000	Unit 120 In-car Setup	25,000	Unit 124 In-car Setup	25,000	Unit 125 In-car Setup	25,000	Unit 125 In-car Setup	26,000				
Fire			Replace Thermal Imaging Camera xl	16,000	Replace all SCBA equipment	250,000	Replace Engine Pumper	1,300,000	Replace Utility Truck	95,000	Replace Thermal Imaging Camera xl	22,000	Car Washer	28,000	Car Dryer	24,000	Hydraulic Rescue Tools	50,000	Fire Marshal Vehicle	75,000				
Community Affairs			Windows - West & North 3rd floor	195,000	Roofing	183,000	1/2 South Facing Windows 1st & 2nd	99,000	1/2 South Facing Windows 1st & 2nd	99,000	1/2 East Facing Windows 1st & 2nd	132,000	1/2 East Facing Windows 1st & 2nd	132,000	1/2 West Facing Windows 1st & 2nd	132,000	Lock & Point Masonry Repairs	50,000	1/2 West Facing Windows 1st & 2nd	135,000	1/2 West Facing Windows 1st & 2nd	135,000		
Parks & Recreation	Fitness Center Equip	30,000	Tennis Court Equipment	125,000	Fitness Center Equip	30,000	Fitness Center Equip	30,000	Fitness Center Equip	30,000	Fitness Center Equip	20,000	Fitness Center Equip	30,000	Fitness Center Equip	15,000	Fitness Center Equipment	15,000	Fitness Center Equipment	15,000	Fitness Center Equipment	15,000		
			Fitness Center Equip	30,000	Locker Rooms/ Fitness Center Paint	25,000	Rolling Center Parking/ Carpet	30,000	Parks Mower	15,000	HVAC for Bowling Center (2)	50,000	Splash Pad Painting	7,000	Con/Lobby Painting	50,000	Office Painting	10,000						
			Splash Pad Painting	7,000	Gymnasium/ Lobby Painting	45,000	Office Painting	10,000	Vehicle/Truck	48,000					Locker Rooms Paint	35,000	Rolling Center Paint	20,000						
		Field Mower	13,000	Food Fiber Seed Equipment	10,000	Tiger Gym Painting	40,000	Food Covers Replacement	15,000					Department Master Plan	30,000									
		John Center Locker Replacement	17,000	Tiger Gym Painting	40,000	McCalliard/Incor Painting	15,000																	
			179,000		878,000		769,000		1,891,000		648,000		643,000		347,500		461,000		327,000		467,500			

Mr. Weichel then reviewed individual CIP request forms and spoke to recommended budget cuts for Fiscal Year 26-27. He stated that when all needs were plugged in, the Town was left with a \$428,908 gap that it needed to fill. Discussions were also had about the overall viability of Tiger Gym.

Mr. Weichel then spoke to the proposal of reducing work hours from 40-hours per week to 35-hours per week, where individuals would work less hours but still receive a greater take-home overall. He stated that affected departments would have to be more efficient overall. Town Manager Herms stated this would be a pilot program, which would be evaluated throughout its implementation. He added that this was a way to allow the Town to meet the needs outlined in the pay study, without making departmental cuts. Town Manager Herms identified that the listed savings of \$73,391 was only in the General Fund, and that overall savings were greater if one included the Utility Fund.

Recommended Budget Cuts for Fiscal Year 2026 - 2027				
Amount	Type	Department	Item	Description
(428,908)			deficit in General Fund	Expenditures exceed available revenue
90,000	capital expense	Recreation	McCalliard Falls parking lot	Remove broken asphalt and replace with compacted crushed stone with parking lot striping and concrete parking stops
143,000	capital expense	Comm. Affairs/Tourism	Windows-South & East 3rd floor	This would be the first year out of a ten year plan for repairs to the exterior of ORS for protection from the elements. Total = \$1.3M
45,000	capital expense	Sanitation	Replace 2016 F150	Vehicles on a 10-year replacement plan, this would be the 10th year
8,000	operating expense	Recreation	Tiger Gym repairs	This facility has various repair/maintenance needed such as the water fountain, floor screen and coat, porch and railing painted.
2,500	operating expense	Comm. Affairs/Tourism	Bouncy houses	Spring craft show, FFN May & June
7,500	operating expense	Comm. Affairs/Tourism	Christmas Downtown decorations	Decorations supplies and materials
73,391	operating expense	All General Fund	Reduced Work Hours	Keep the same new hourly rate in the pay study, but reduce down to 35 hour work week. This does not apply to shift workers in PD and FD
24,517	operating expense	Various	Overtime	Removes weekend overtime cost associated with the Independence Day festival being on a weekend day. Moves to Friday before the 4th.
5,000	operating expense	Comm. Affairs/Tourism	Main St. façade grant program	Granted to downtown businesses in need of improvements to their storefront
30,000	operating expense	Administration	Burke Library	This would still contribute \$10,000 to the library
-	reserves	fund balance		Reserves not needed to Balance the General Fund
0				over / (under) balance after incorporating the above expenses General Fund is balanced

Councilman Ogle stated that it made no sense to give people a raise and cut their hours and asked how much more individuals would be taking home. Town Manager Herms answered that employees would see at least a 3% increase in their take-home pay. Town Manager Herms added that it was common for other municipalities to work a 37-hour work week, and stated the Town could adjust to this if other cuts were made. Councilman Ogle asked if employees knew of

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this change. Town Manager Herms stated that this had been discussed with department heads, and that he believed most department heads had discussed the change with their employees.

Town Manager Herms stated the Town could invest all the money they wanted into facilities, but if it did not invest in the people who provided the service it had failed as an organization. Town Manager Herms provided that the Town was having trouble recruiting employees, stating that the fire department has had a position open for over fourteen (14) months, which was generally unheard of. He gave reasons as to why the positions were hard to fill, which were uncompetitive pay, substandard work conditions, among other factors.

Councilman Ogle asked Mr. Hudson what his employees thought of the shift in weekly hours. Mr. Hudson responded that overall responses were not drastic, but added there were some concerns.

Town Manager Herms stated if Council was against the change, he would absolutely support it, as it was their budget, but provided the Town would have to make up the \$73,391 elsewhere. He also added that employees would still receive full-time benefits when applicable. Town Manager Herms provided that employees would still not receive overtime until after the 40-hour mark.

Discussion about the timing of the Independence Day festival and the costs associated with said timing ensued, as it was cheaper to have the festival on a weekday rather than a weekend day. Councilwoman Ward asked if the Town could save money all together and not do the fireworks. She continued that she would hate to do this, and was very patriotic, but noted that the sales tax and occupancy tax received from visitors was not limited to the Valdese Town limits. Councilwoman Ward expressed the Town could save \$24,517 and still receive the benefits from the county's taxation. Councilwoman Ward contextualized the \$24,517 figure as half of a police officers' salary. Mr. Weichel agreed that the Town would receive the same amount of sales tax whether the money was spent in other municipalities in Burke County or in Valdese. He added that the Town would save a lot of money if the Town were to not host the Independence Day festival.

Mr. Weichel reported that \$30,000 would be cut from Burke County Library funding, but that the Town would still be contributing \$10,000. Mayor Pro Tem Lowman stated that she appreciated the continued contribution.

FIRST TRYON FINANCIAL ADVISORS' PRESENTATION

Mr. Andy Smith and Mr. Chris Habliston of First Tryon Financial Advisors then addressed the Council regarding the Town's long-term financial planning, with a particular focus on the public safety building project and use of the Town's financial model.

Mr. Smith stated that it was a privilege to be present and discuss the Town's financial planning efforts, and explained that the purpose of the presentation was to help set the stage for how the Town had arrived at its current position. Mr. Smith stated that First Tryon worked exclusively with municipal governments and had developed more than 100 financial models of this nature. Mr. Smith explained that most municipalities had some form of CIP, but often fell short in properly sequencing projects over time, which was where the financial model became especially useful.

Mr. Smith stated that the model allowed the Town to see how movement of one project or funding decision affected all other items, and that it provided a useful visual representation of those changes. Mr. Smith explained that, prior to use of this type of software, municipalities often had to rely on more static and less responsive budgeting methods. Mr. Smith stated that a five-year window was generally a good time frame on which to focus, as it provided a reasonable benchmark for understanding how changes would affect total funds over time.

Mr. Habliston then explained that the model was built using the information Mr. Weichel had already presented to Council, and that the starting point was a balanced budget for Fiscal Year 2026-2027. Mr. Habliston stated that one of the first things that stood out was that while capital funding may work for the current fiscal year, it may not remain workable in future years, especially given the projected capital gap. Mr. Habliston emphasized that the Town was balancing the budget without yet including expenditures related to the public safety building and that the key question was how the decisions being made today would position the Town in future years.

Mr. Habliston then discussed fund balance models and the relationship between fund balance and the Town's CIP. Mr. Habliston explained that the public safety project would have a significant long-term effect on the budget and reviewed several adjustments that could be made in order to lessen that impact.

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Councilwoman Zimmerman asked that the model reflect borrowing the full \$10,000,000 for the public safety project. Mr. Habliston stated that doing so would delay, but not eliminate, the financial pressure associated with the project by approximately one year. Mr. Habliston then adjusted the model to show full borrowing alongside the anticipated effects of revaluation. Mr. Habliston stated that this scenario improved the overall outlook, but would still require major Council decisions in future years to keep fund balance healthy. Mr. Habliston emphasized that creation of recurring revenues was imperative to support a project such as the public safety building and added that the LGC would require a plan to repay the debt.

Mr. Smith asked when the Town expected to have a final number for the public safety project. Town Manager Herms answered that the Town anticipated having a final number within the first couple of weeks of June. Mr. Habliston stated that if the Town obtained a Guaranteed Maximum Price (GMP), that number would typically remain valid for approximately sixty (60) days, and by that point the Town would need a repayment plan in place. Mr. Smith added that the LGC required a decent amount of lead time, so the Town would need to be prepared.

Mr. Habliston stated that the most certain and stable way to fund the project would be through property tax revenue, though whether that was viable was a matter for Council discussion. Councilwoman Radabaugh asked, rather than Council going back and forth, what First Tryon believed was the best course of action. Mr. Habliston answered that, from his personal perspective, financing made the most sense for a project of this size and useful life. Mr. Habliston explained that because there were many other expenditures competing for available funds, using too much fund balance would handicap the Town in future years. Mr. Habliston stated that because the building would serve citizens for the next forty (40) years, financing allowed those future citizens to bear their share of the cost over time, whereas paying outright would place more of the burden on current residents. Mr. Habliston stated that, generally, First Tryon tended to lean toward borrowing as much as reasonably possible.

Mr. Smith added that First Tryon had used conservative assumptions for interest rates in the model, and noted that if interest rates dropped significantly in the future, the Town could potentially refinance and restructure the loan. Mr. Weichel then asked how the LGC would likely interpret the Town dropping below a desired fund balance level in approximately 2031 under one scenario shown in the model. Mr. Habliston responded that if the issue was three to four years out, the LGC might take notice and ask questions, but it likely would not become a major obstacle because the Town would still have time to take corrective action. Mr. Habliston stated that the LGC generally would not “pump the brakes” on a project for a concern that far out in the forecast.

Mayor Huffman then asked Mr. Weichel how much consideration the Town had given to the possible sale of the Mitchell building or other assets to help offset project costs. Mr. Weichel answered that it would help, and when asked by Mayor Huffman how much, Mr. Weichel responded that whatever amount the Town received for such a building would reduce borrowing by that same amount.

Mayor Huffman then asked that the model reflect an \$8,000,000 borrowing scenario. Mr. Smith explained that such a change reduced the cost of the project by lowering debt service, but did not account for the impact on fund balance. Town Manager Herms asked whether that scenario represented the most conservative approach. Mr. Habliston responded in the affirmative. Mr. Weichel then explained that in order to achieve that projected picture, three things would need to occur: The Town would borrow the full amount shown, go rate-neutral to reflect revaluation, and reallocate a portion of street paving funds toward debt service. Mr. Weichel added that the proposed fire tax rate would also assist with repayment.

Councilwoman Ward asked how long there would be no money going toward street paving under that scenario. Mr. Weichel clarified that street paving would not be eliminated entirely, but rather reduced. Mr. Weichel explained that because the Town already had money saved for street paving, it would still be able to pave for the next couple of years. Town Manager Herms added that paving costs were directly tied to gas prices, which made it difficult to project the long-term paving picture with certainty, though he noted that the Town was paying less per mile currently than it would have a year earlier. Town Manager Herms also stated that the Town had requested a pre-engineered metal building with some rock for the public safety facility because the project must be completed in the most economical way possible, noting that construction costs were increasing every day.

Mr. Weichel then asked that charts showing fund balance be displayed. Mr. Habliston stated that the graphs were intended as a visual representation of the previous discussion. Mr. Weichel then noted that the public safety building was presently being modeled on a twenty (20) year loan, but that the Town could move to a fifteen (15) year loan, which would save money over the life of the debt while increasing short-term pressure on the budget. Mr. Habliston responded that this was correct, stating that a fifteen-year term would increase near-term annual payments by approximately

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\$100,000, but would eliminate debt service during the final five years. Mr. Smith added that if the Town started with a twenty-year loan and rates later dropped, the Town could refinance at the remaining term.

Mayor Pro Tem Lowman stated that people did not want tax increases, but also wanted the public safety building, and expressed that taxes would almost have to be raised. Mr. Smith agreed. Mr. Weichel added that if citizens were opposed to increased taxes, then departments would have to begin being cut.

Councilwoman Radabaugh asked what the growth rate figure in the model represented. Mr. Habliston answered that it reflected the reevaluation number and the potential increase in property values resulting from the County's reevaluation.

Councilwoman Ward asked what would happen if something unforeseen occurred and the building ended up costing \$12,000,000 or \$15,000,000. Town Manager Herms answered that the Town could not afford that and would have to have hard conversations about its priorities. Councilwoman Ward then asked whether there were any grants available. Town Manager Herms stated that several years prior there had been a good deal of money in state budgets for police departments, but that the Town was now competing against communities impacted by Hurricane Helene and that the likelihood of receiving grant funding was much lower.

Councilwoman Ward then asked about the possibility of bonds. Town Manager Herms responded that startup costs for bonds were extremely high, but asked Mr. Habliston to elaborate. Mr. Habliston stated that bonds were possible, but that the lead time was generally six (6) to seven (7) months. Mr. Habliston explained that one difficulty with a bond referendum was that if the question were put on the ballot and failed, but the Town still wished to proceed with the project, the Town would be in an awkward position after the public had already voted no. Mr. Habliston added that while bonds could produce a lower cost of funds over the life of the project, the initial costs were quite high. Mr. Habliston further explained that a bond referendum would require disclosure of a potential property tax rate associated with the project so that voters could understand the possible financial impact, though Council would not be bound to that exact number.

Mr. Weichel asked how the process would work given that the Town was not currently bond rated. Mr. Habliston answered that if a bond referendum passed, the Town would have to obtain a credit rating through a rating agency, because general obligation bonds were sold to the public and investors relied on the Town's credit rating to assess its creditworthiness. Mr. Habliston noted that this was a cost borne by the Town and that while a lower interest rate could help offset it somewhat, it remained an important consideration. Mr. Habliston stated that if final project numbers were available in June, the matter could theoretically be placed on the ballot in November, with LGC approval coming one (1) to two (2) months later, and actual funds potentially available around March 2027.

Mr. Habliston also stated that if the Town pursued a bond referendum but wished to keep the project moving, it could pay initial costs out of fund balance and later reimburse itself once debt was issued. Mr. Habliston stated that this was not a non-starter in terms of keeping the project moving forward, but would require the Town to come out of fund balance initially and pay itself back later.

Town Manager Herms stated that he had never been through a bond referendum, but asked whether it would be out of line to estimate the associated cost at \$250,000. Mr. Habliston responded that such a figure was likely high and that more realistic costs would generally range from \$25,000 to \$50,000. Mr. Weichel then expressed concern that the Town might be considered relatively low status in the bond market. Mr. Habliston responded that there were no cities or towns below investment grade and that while the Town's interest rate would likely still be relatively favorable, no one could say with certainty until the Town went through the rating process.

Town Manager Herms stated that everything being discussed was contingent upon current law and noted that there were items in the Legislature that could hamper the Town's ability to move forward. Town Manager Herms stated that Council's biggest takeaway from the discussion should be whether the public safety building remained a priority so that staff would know how to proceed. Town Manager Herms explained that before staff spent additional time on the project, they needed assurance from Council that the building remained a priority. Each Council Member responded in the affirmative and expressed agreement that the public safety building remained a priority.

Mr. Habliston stated that the presentation concluded the formal portion of the discussion, but that he would be happy to answer additional questions. Mr. Smith then offered a few final remarks, stating that he hoped rates would ultimately be lower than those projected in the model and that First Tryon would be glad to continue conversations with Town officials and the LGC as the Town moved forward. Town Manager Herms added that Mr. Weichel had already had multiple conversations with the LGC regarding how to move forward with the project.

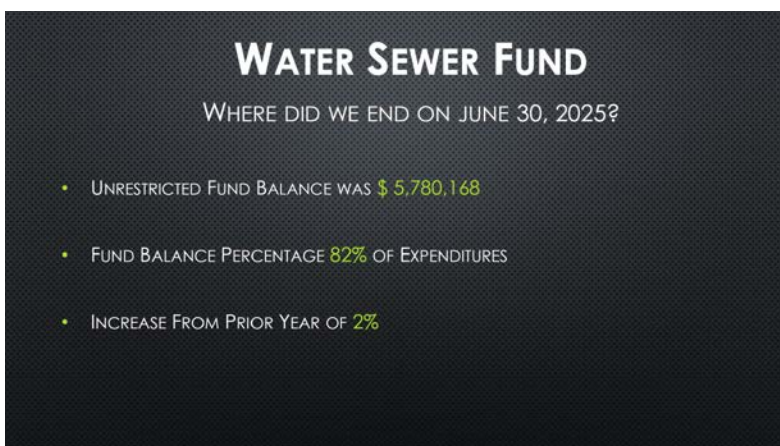
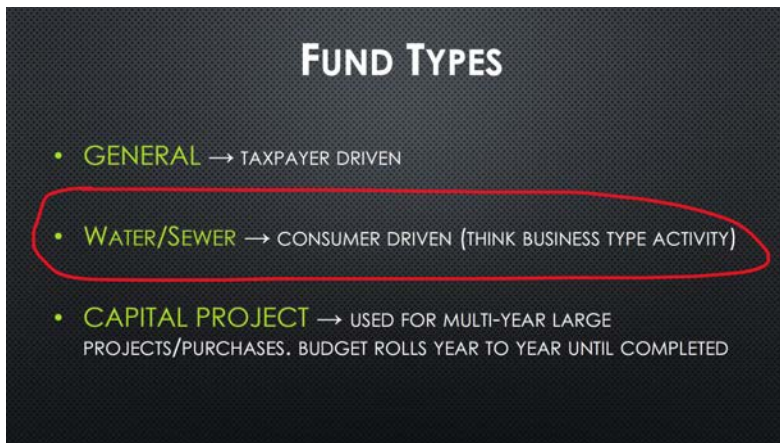
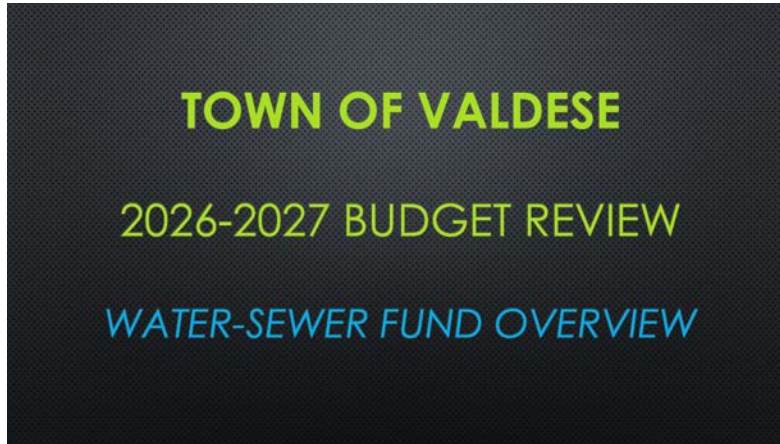
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At 11:45 am Council broke for lunch and returned at approximately 12:28 pm.

Town Clerk Lail thanked Councilwoman Zimmerman for providing lunch to those who attended.

UTILITY FUND OVERVIEW

Mr. 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. Mr. Weichel then presented the following:



WATER SEWER FUND

WHAT WILL IMPACT FUND BALANCE SO FAR THIS YEAR?

- FUND BALANCE APPROPRIATIONS **\$145,600**

Item	Meeting Approved	Amount
Committed Funds to Capital Project Ordinance #52 (Valdese Bluffs)	September	13,600
Committed Funds to Capital Project Ordinance #57 (WTP Bulk Chemical Facility Improvements)	October	57,000
Meridian Sewer Repairs	August	75,000
		145,600

- ANTICIPATED ADDITIONAL FUND BALANCE FOR THIS FY: **\$400,000 (Bluffs)**

2026-27 BUDGET CHALLENGES FOR VALDESE

OPERATING:

- STATE MANDATED 0.74% INCREASE OF RETIREMENT (15.15%)
- PAY STUDY
- MEDICAL INSURANCE PREMIUMS
- MAINTENANCE ON AGING FACILITIES
- STRICT MANDATES PROVIDING CLEAN WATER AND CLEANING SEWAGE/WASTE
- INFLATIONARY PRICE INCREASES ON EQUIPMENT, MATERIALS, AND SERVICES

CAPITAL:

- AGING UTILITY LINES AND ASSETS (LGC CAPITAL ASSETS RATIO IS UNDER 0.50)
- AGING FACILITIES AND EQUIPMENT REPLACEMENT
- WTP DEMANDS ARE 25-30% OF CAPACITY

UTILITY FUND DEPARTMENT OPERATING & CAPITAL Mr. Weichel presented a balanced utility fund budget totaling \$8,112,222, covering both operating and capital expenses.

2026-2027 Budget			
Utility Fund Summary			
OPERATING BUDGET			
Department	FY24-25 Budget	FY25-26 Budget	FY26-27 Recommended
WATER PLANT	2,150,366	2,187,725	2,901,773
WASTE WATER PLANT	1,824,236	1,881,796	2,118,086
WATER & SEWER CONSTRUCTIO	1,530,901	1,708,178	1,993,763
Operating	5,505,502	5,777,700	7,013,622
CAPITAL BUDGET			
WATER PLANT	231,600	1,681,100	373,000
WASTE WATER PLANT	1,004,500	154,200	580,500
WATER & SEWER CONSTRUCTIO	77,600	2,054,000	145,100
Capital	1,313,700	3,889,300	1,098,600
TOTAL EXPENDITURES	6,819,202	9,667,000	8,112,222
TOTAL REVENUES			8,112,222

difference: 0

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UTILITY FUND REVENUES Mr. Weichel reported on projected Utility Fund revenues, noting that water charge revenues were projected to increase due to rates increasing 7% for residential water customers and 5% for bulk water customers. He added that sewer rates were also being increased by 5%.

2026-2027 Budget Allocation						
UTILITY FUND REVENUES						
Line Item Description	Account Code	2023-24 Actual	2024-25 Actual	2024-25 Budget	2025-26 Budget	2026-27 Recommended
INTEREST ON INVESTMENTS	30-3290-000	46,405	41,212	20,000	27,000	35,000
RENTS	30-3310-000	0	0	0	0	0
OTHERS	30-3350-030	1,372	700	0	0	0
UTILITY BILL PENALTIES	30-3350-040	89,224	112,253	60,000	70,823	80,000
WATER CHARGES - RES	30-3710-010	2,809,408	3,629,685	3,499,980	3,997,000	4,276,790
WATER CHARGES - COMM	30-3710-011	337,157	377,805	302,820	317,961	333,859
WATER CHARGES - IND	30-3710-012	485,985	517,407	493,906	518,601	544,531
WASTE WATER CHARGES	30-3710-020	1,214,440	1,546,623	1,499,938	1,744,363	1,831,581
LONG TERM MONITORING	30-3710-021	18,500	18,446	18,900	18,900	18,900
SPRINKLER SERVICE CHARGES	30-3710-030	0	0	0	0	0
TAP & CONNECTION FEES	30-3730-000	111,710	93,900	40,000	40,000	40,000
RECONNECTION FEES	30-3750-000	115,823	110,758	60,000	70,000	70,000
TOWN OF DREXEL	30-3810-020	242,566	215,108	226,800	206,850	217,193
BURKE CNTY-E BURKE SYST-WW	30-3810-030	181,443	130,235	122,472	128,596	118,258
BURKE COUNTY WATER	30-3810-032	116,770	99,979	113,400	107,520	112,613
RC WATER CORP	30-3810-040	238,682	243,294	243,810	256,001	256,397
RC WW	30-3810-042	19,512	18,868	17,325	18,191	19,101
ICARD WATER CORP	30-3810-070	133,969	175,528	132,000	135,000	135,000
CONNELLY SPRINGS MAINT	30-3810-080	34,500	11,500	23,000	23,000	23,000
TRANSFER FROM CAPITAL RESERV	30-3970-700	0	0	0	0	0
PROCEEDS FROM FINANCING	30-3970-812	0	0	0	0	0
FUND BALANCE-APPROPRIATED	30-3990-000	-7,260	192,358	1,008,941	0	0
TOTAL		6,190,206	7,535,659	7,883,292	7,679,806	8,112,222

UTILITY FUND EXPENDITURES Mr. Weichel then explained that the Utility Fund was made up of three departments, being the Water Treatment Plant, the Wastewater Treatment Plant, and Water/Sewer Construction. Mr. Weichel stated that there were not many significant changes in the Water Treatment Plant budget.

2026-2027 Budget Allocation						
WATER PLANT						
Line Item Description	Account Code	2023-24 Actual	2025-26 Actual	2024-25 Budget	2025-26 Budget	2026-27 Recommended
SALARIES & WAGES	30-8100-020	425,762	359,429	359,653	364,414	452,857
OVER TIME PAY	30-8100-021	523	7,093	3,000	3,000	3,000
PART TIME PAY	30-8100-022	0	0	0	0	0
PROFESSIONAL SERVICES	30-8100-040	2,095	86,500	61,500	61,500	61,500
FICA TAX	30-8100-050	31,878	27,218	27,663	28,028	33,329
GROUP INSURANCE	30-8100-060	74,683	71,349	75,785	73,845	97,510
RETIREMENT	30-8100-070	54,612	49,854	49,396	52,795	66,005
TELEPHONE & INTERNET	30-8100-110	1,111	990	1,300	823	2,000
ELECTRIC	30-8100-130	292,062	313,549	300,892	310,892	315,892
FUEL OIL	30-8100-132	0	4,928	5,000	5,000	5,000
TRAINING & TRAVEL	30-8100-140	2,472	3,446	3,500	3,500	3,500
MAINT & REPAIR BLDGS	30-8100-150	11,861	12,383	29,270	29,270	29,270
MAINT. & REPAIR EQUIPMENT	30-8100-160	23,427	450,635	29,000	36,700	49,100
MAINT. & REPAIR AUTO & TRUCKS	30-8100-170	271	439	680	680	680
ADVERTISING	30-8100-260	0	0	600	0	0
AUTO SUPPLIES GAS	30-8100-311	4,016	3,516	4,000	4,000	4,000
AUTO SUPPLIES DIESEL	30-8100-312	0	400	400	400	400
AUTO SUPPLIES TIRES	30-8100-313	551	606	625	0	700
AUTO SUPPLIES OIL	30-8100-314	0	0	162	200	200
DEPT SUPPLIES & MATERIALS	30-8100-330	3,307	2,640	3,400	3,400	3,650
CHEMICALS	30-8100-332	232,782	234,914	236,400	250,000	266,000
LAB SUPPLIES	30-8100-333	15,903	21,231	23,000	23,000	45,500
WATER TESTING-PROFESSIONAL	30-8100-334	6,613	10,717	15,900	15,900	15,900
UNIFORMS	30-8100-360	5,908	3,343	5,200	5,200	5,200
CONTRACTED SERVICES	30-8100-450	4,940	5,610	6,540	6,540	59,152
IT	30-8100-490	0	0	500	500	500
DUES AND SUBSCRIPTIONS	30-8100-530	10,794	10,645	10,164	11,064	11,064
INSURANCE AND BONDS	30-8100-540	24,342	27,000	27,000	27,000	30,000
MISCELLANEOUS EXPENSE	30-8100-570	0	0	0	0	0
SAFETY	30-8100-572	1,631	2,643	3,000	3,000	3,870
CAPITAL OUTLAY	30-8100-740	231,600	1,681,100	231,600	1,681,100	373,000
DEBT SERVICE	30-8100-910	71,322	71,323	71,324	71,324	350,705
PRO RATA	30-8100-920	550,000	550,000	550,000	550,000	650,000
VEDIC	30-8100-930	12,500	12,500	12,500	12,500	12,500
ECONOMIC DEVELOPMENT BPED	30-8100-931	10,894	12,012	12,012	12,250	12,495
ECONOMIC GRANTS	30-8100-935	0	0	0	0	0
CONTINGENCY	30-8100-990	221,000	221,000	221,000	221,000	310,295
TOTAL		2,328,860	4,259,013	2,381,966	3,868,825	3,274,773

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Mr. Weichel then discussed the Wastewater Treatment Plant budget and noted that laboratory supply costs had increased due to additional testing requirements, including PFAS testing, which the State would begin mandating. Mr. Weichel explained that these were tests that had not been required in years past, but would now have to be conducted. Mr. Weichel added that the State often imposed mandates intended to keep drinking water clean which cost the Town money, but did not provide funding to implement them, requiring the Town to supplement those costs elsewhere.

2026-2027 Budget Allocation						
WASTE WATER PLANT						
Line Item Description	Account Code	2023-24 Actual	2024-25 Actual	2024-25 Budget	2025-26 Budget	2026-27 Recommended
SALARIES & WAGES	30-8110-020	396,063	404,979	404,192	421,823	484,504
OVER TIME PAY	30-8110-021	0	0	0	0	0
PART TIME PAY	30-8110-022	0	0	0	20,000	10,000
PROFESSIONAL SERVICES	30-8110-040	13,634	1,543	2,500	2,500	2,500
FICA TAX	30-8110-050	29,363	29,695	30,801	33,680	36,003
GROUP INSURANCE	30-8110-060	81,762	89,381	91,218	89,269	105,761
RETIREMENT	30-8110-070	50,602	55,116	54,999	60,560	69,785
TELEPHONE & INTERNET	30-8110-110	3,264	3,220	3,600	3,000	3,000
ELECTRIC	30-8110-130	193,518	191,602	225,000	225,000	225,000
FUEL OIL	30-8110-132	7,435	6,740	7,500	9,000	9,000
TRAINING	30-8110-140	2,704	298	4,925	4,925	4,925
MAINT. & REPAIR BLDGS	30-8110-150	89,113	94,678	110,000	110,000	110,000
MAINT. & REPAIR EQUIPMENT	30-8110-160	11,898	143,828	12,000	12,000	12,000
MAINT. & REPAIR AUTO	30-8110-170	1,725	596	8,100	2,100	2,100
ADVERTISING	30-8110-260	0	0	100	0	0
AUTO SUPPLIES GAS	30-8110-311	4,982	1,398	5,000	5,000	5,000
AUTO SUPPLIES TIRES	30-8110-313	74	13	1,900	1,900	1,900
AUTO SUPPLIES OIL	30-8110-314	105	73	750	750	750
DEPT. SUPPLIES & MATERIALS	30-8110-330	11,714	5,353	12,000	12,000	12,000
CHEMICALS	30-8110-332	117,956	105,760	108,293	108,293	108,293
LAB SUPPLIES	30-8110-333	11,998	11,630	12,000	12,000	64,900
WOOD CHIPS	30-8110-336	30,175	35,295	51,000	61,000	61,000
UNIFORMS	30-8110-360	5,329	5,138	3,750	1,500	1,500
CONTRACTED SERVICES	30-8110-450	15,840	28,094	28,840	28,840	28,840
IT	30-8110-490	0	19	500	1,500	1,500
LONG TERM MONITORING	30-8110-500	28,440	33,054	21,000	31,000	31,000
DUES AND SUBSCRIPTIONS	30-8110-530	8,292	7,745	14,521	14,171	14,596
INSURANCE AND BONDS	30-8110-540	28,000	32,000	32,000	32,000	34,000
MISCELLANEOUS EXPENSE	30-8110-570	0	0	0	0	0
SAFETY	30-8110-572	1,909	1,745	2,500	2,500	2,500
CAPITAL OUTLAY	30-8110-740	66,654	69,072	1,004,500	154,200	580,500
DEBT SERVICE	30-8110-910	0	0	0	0	0
PRO RATA	30-8110-920	550,000	550,000	550,000	550,000	650,000
VEDIC	30-8110-930	12,500	12,500	12,500	12,500	12,500
ECONOMIC DEV BPED	30-8110-931	11,630	12,747	12,747	12,985	13,230
TOTAL		1,786,679	1,933,312	2,828,736	2,035,996	2,698,586

Mayor Pro Tem Lowman asked about the reason for the increase in contracted services in the Water Treatment Plant budget. Mr. Weichel responded that he would need to look further into that increase.

Councilwoman Ward asked where the fluoride system fell within the budget. Mr. Weichel answered that it fell under capital. Town Manager Herms clarified that the budget being presented was built as though the Town would continue maintaining the fluoride system. Mr. Weichel added that this was part of the reason the proposed increase for residential water customers was seven percent (7%).

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2026-2027 Budget Allocation
WATER SEWER CONSTRUCTION

Line Item Description	Account Code	2023-24 Actual	2024-25 Actual	2024-25 Budget	2025-26 Budget	2026-27 Recommended
SALARIES & WAGES	30-8120-020	341,451	386,638	434,790	447,288	465,672
OVER TIME PAY	30-8120-021	8,992	14,177	24,400	29,395	29,395
PART TIME PAY	30-8120-022	24,189	24,918	23,400	23,400	34,800
PROFESSIONAL SERVICES	30-8120-040	40,627	83,334	112,877	114,652	110,659
HEALTH REIMBURSEMENT (HRA)	30-8120-041	9,684	9,168	29,000	29,000	29,000
FICA TAX	30-8120-050	28,049	31,942	36,560	37,898	38,575
GROUP INSURANCE	30-8120-060	57,165	66,771	84,376	82,899	97,728
RETIREMENT	30-8120-070	42,520	52,947	59,900	65,710	71,121
TELEPHONE & INTERNET	30-8120-110	2,631	2,674	2,700	2,700	2,700
POSTAGE	30-8120-111	0	0	650	650	650
PRINTING	30-8120-120	860	161	1,500	1,500	1,500
ELECTRIC	30-8120-130	22,219	26,571	24,660	25,410	25,410
TRAINING	30-8120-140	1,509	3,681	6,570	6,570	10,120
MAINT. & REPAIR BLDGS	30-8120-150	28,860	58,448	46,750	48,000	48,000
MAINT. & REPAIR EQUIPMENT	30-8120-160	7,361	11,793	10,650	10,650	10,650
MAINT & REPAIR AUTO	30-8120-170	3,663	1,559	3,693	3,693	4,000
ADVERTISING	30-8120-260	0	84	100	100	100
AUTO SUPPLIES GAS	30-8120-311	13,500	9,339	13,500	13,500	13,500
AUTO SUPPLIES DIESEL	30-8120-312	3,668	4,844	5,000	5,000	5,000
AUTO SUPPLIES TIRES	30-8120-313	1,681	2,402	4,200	4,200	4,200
AUTO SUPPLIES OIL	30-8120-314	1,863	822	2,180	2,180	2,180
DEPT. SUPPLIES & MATERIALS	30-8120-330	75,334	85,981	86,664	98,900	99,400
METERS	30-8120-331	5,223	30,000	30,000	55,000	115,000
CHEMICALS	30-8120-332	1,637	0	2,100	2,100	2,100
UNIFORMS	30-8120-360	3,279	3,328	3,328	3,744	3,744
CONTRACTED SERVICES	30-8120-450	104,409	135,409	155,073	123,873	126,671
IT	30-8120-490	0	0	1,000	1,000	1,000
DUES AND SUBSCRIPTIONS	30-8120-530	2,695	1,760	5,849	13,795	27,765
INSURANCE AND BONDS	30-8120-540	28,612	31,000	31,000	31,000	34,000
MISCELLANEOUS EXPENSE	30-8120-570	0	0	0	0	0
SAFETY	30-8120-572	2,212	1,151	5,060	5,060	5,060
CAPITAL OUTLAY	30-8120-740	276,780	75,228	77,600	2,054,000	145,100
DEBT SERVICE	30-8120-910	287,063	286,812	326,815	419,311	574,063
TOTAL		1,427,736	1,442,942	1,651,945	3,762,178	2,138,863

UTILITY FUND DEBT Mr. Weichel then presented a detailed breakdown of the Town's debt within the Water and Sewer Fund. Mr. Weichel pointed out the dashes reflected in the debt schedule and explained that those dashes indicated loans that carried no interest, meaning the Town had borrowed those funds directly from the State at zero percent (0%) interest.

Town Manager Herms commended Mr. Weichel by noting that all of the Town's current zero percent (0%) loans had been secured by Mr. Weichel since he began with the Town in 2018. Mr. Weichel thanked McGill for their help in securing the loans as well.

Mr. Weichel then pointed to The Settings project, which he explained was financed through a forty (40) year USDA loan. Mr. Weichel stated that the original loan amount was approximately \$1.3 million and that the present balance remaining was approximately \$1.5 million. Mr. Weichel stated that this illustrated why the Town wanted to avoid such long-term loans.

Mr. Weichel further stated that the built-in annual debt payment within the Water and Sewer Fund was approximately \$472,000, with a remaining balance of approximately \$7.5 million.

TOWN OF VALDESE Utility Fund Debt						
	Annual Payment	Balance Remaining	Years Remaining	Life of Loan Amounts		
				Original	Interest	Total Cost
Inflow & Infiltration (SRF-2016)	13,855	142,243	11	230,913	46,960	277,873
Settings - Water & Sewer (USDA-2008)	66,950	1,525,045	23	1,280,000	1,378,870	2,658,870
St Germaine Water Line (SRF-2019)	8,626	120,757	14	172,510	-	172,510
Water Meter AMI (SRF-2020)	88,112	1,321,678	15	1,762,237	-	1,762,237
Water System Improvements (SRF-2020)	23,328	349,910	15	466,547	-	466,547
Main St. Waterline Replacement (SRF-2020)	70,704	1,131,254	16	1,414,068	-	1,414,068
Bleach Conversion-Water Plant (SRF-2020)	31,453	503,244	16	629,055	-	629,055
Water Plant Upgrades MCC (SRF-2022)	39,871	677,792	17	797,402	-	797,402
Lead Service Line Inventory (SRF-2026)	40,000	200,000	5	200,000	-	200,000
Cline Ave. Basin & Pump Station Upgrade (2025)	89,981	1,569,634	19	1,488,510	166,136	1,654,646
TOTAL	472,880	7,541,557		8,441,242	1,591,966	10,033,208

CIP REQUEST FORMS Mr. Weichel then explained that each CIP request was accompanied by a request form which provided greater detail regarding the specific project. Mr. Weichel stated that many of the requested items involved obsolete parts due to the age of the plants, and noted that the Town attempted to maximize repairs of those parts whenever possible. Mr. Weichel explained that once the useful life of the parts had ended, however, they had to be replaced because further repairs were no longer possible.

Mr. Weichel further stated that some of the Town's tanks were proprietary, meaning replacement parts had to be ordered from a specific manufacturer, which caused those parts to cost significantly more than they otherwise would. Mr. Weichel noted that this helped provide perspective as to why some of the associated project costs were so high.

Town Manager Herms then stated that he wanted to provide additional perspective regarding inflation and reported that, over the last five years, water meters had increased approximately 345%, three-quarter-inch copper rolls had increased approximately 253%, software had increased 180%, stone had increased approximately 130%, six-inch gate valves had increased approximately 180%, gravel had increased 105%, and property liability insurance had increased approximately 103%. Town Manager Herms stated that the Town could not absorb those increases and explained that when water rates increased, the Town was not collecting excess revenue, but was instead trying to keep pace with inflation-driven cost increases.

Mr. Hudson then stated that water meters were expected to increase by an additional \$110 in July. Town Manager Herms responded that the Town might need to increase tap fees in order to reflect actual costs. Mr. Weichel added that staff would be presenting a proposed increase in tap fees.

RATE AND FEE STRUCTURE FOR UTILITY FUND Mr. Weichel then reviewed the proposed rate and fee structure for the Utility Fund. Mr. Weichel stated that staff had attempted to be somewhat creative in identifying ways to control costs and explained that one proposal involved introducing a paperless statement credit. Mr. Weichel stated that customers receiving a mailed statement would be charged an additional \$3, noting that the Town spent approximately \$50,000 annually mailing utility bills. Mr. Weichel explained that the Town was exploring this option in an effort to help keep rates as low as possible and added that customers already receiving electronic statements were effectively subsidizing those who continued to receive paper statements.

Mr. Weichel then discussed late penalties and stated that the Town generally tried to work with customers who paid late, but that staff was recommending an increase in the nonpayment fee from \$25 to \$30. Mr. Weichel also stated that increases in tap fees were being proposed.

Mr. Weichel further explained that residential water rates had remained flat for the previous two years, though Triple Community rates had been increased, and that during the prior year both Triple Community and in-town customers were affected by rate increases. Mr. Weichel stated that, going forward, staff recommended that rates increase together and at the same rate for both in-town and out-of-town customers. Mr. Weichel noted that the proposed seven percent (7%) increase would therefore apply equally to customers both inside and outside the Town limits.

CAPITAL IMPROVEMENTS PLAN WATER & SEWER RATE STUDY Mr. R.J. Mozeley and Mr. Dale Schepers of McGill Associates then presented the CIP Water and Sewer Rate Study. Mr. Mozeley thanked the Council for the opportunity to present again and stated that, as he recalled, much of the information would be familiar to most in attendance. Mr. Mozeley expressed his appreciation that the Town took time to plan ahead and did not simply defer maintenance, adding that he valued clients who set the stage for ongoing maintenance and long-term system viability.

Mr. Mozeley stated that there were many interconnections between the rate analysis and the budget documents. Mr. Mozeley explained that the analysis included the Water and Sewer Utility Fund, also known as the enterprise fund, which covered water treatment, water distribution, tanks, booster stations, meters, and related infrastructure. Mr. Mozeley continued that the same fund was also responsible for wastewater collection and treatment, which included the collection system that brought wastewater to a central point and then on to the wastewater treatment plant. Mr. Mozeley noted that the Utility Fund was a separate fund that was required to operate at a profit so that revenues could be reinvested into the system to keep it in good, viable condition. Mr. Mozeley stated that the Town's customer base included approximately 5,000 residential customers, 360 nonresidential customers, and five contract purchase customers. Mr. Mozeley added that the Utility Fund had an approximate annual value of \$7.5 million, which could also be viewed as approximately \$7.5 million in annual revenue.

Mr. Mozeley then discussed capital improvement planning and what made a project worthy of inclusion in the Capital Improvement Plan. Mr. Mozeley explained that there were four criteria generally considered, being viability, efficiency,

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growth, and regulatory need. Regarding viability, Mr. Mozeley stated that aging equipment, outdated technology, and operational issues often justified inclusion in the CIP. Regarding efficiency, Mr. Mozeley stated that there were no efficiency projects currently in the CIP, and noted that such projects were relatively rare, but would generally involve newer technology accomplishing the same task more efficiently. Regarding growth, Mr. Mozeley stated that the need to grow system capacity was not currently the main driver for the Town's facilities and explained that capacity could often be assured or extended without necessarily being expanded. Mr. Mozeley further stated that regulatory requirements were a major factor in utility planning and noted that, as Mr. Weichel had previously acknowledged, these often came in the form of unfunded mandates which supported a healthier environment but also carried significant expense. Mr. Mozeley explained that these regulatory drivers could include permitting changes, monitoring changes, and additional treatment requirements. Mr. Mozeley stated that the Town operated on a five-year wastewater permit, which had come up for renewal during the current year and included a new requirement that had not been present in prior permits, requiring monitoring for additional items. Mr. Mozeley noted that such monitoring would increase costs and added that it would not be uncommon for future five-year permit renewals to include maximum levels for newly monitored chemicals, potentially requiring the Town to limit or remove such chemicals from the system. Mr. Mozeley stated that while the Town could discuss such requirements with the State, it would ultimately be subject to whatever the State required.

Mr. Mozeley then moved into the financial analysis and stated that capital improvement items, if not budgeted for, were essentially just a wish list. Mr. Mozeley explained that in order for the Town to actually make the improvements identified in the CIP, those projects had to be accounted for and planned for financially through the Utility Fund. Mr. Mozeley stated that the financial analysis allowed the Town to prepare for and complete such improvements, and that the primary factors to be considered included revenues, expenses, and key performance indicators.

Mr. Mozeley then discussed assumptions and model inputs. Mr. Mozeley stated that revenues and expenses had to be entered into the model before strategic planning could occur and before the Town could begin analyzing the implications for fund balance. Mr. Mozeley reported that the Utility Fund's current fund balance was approximately 82%, but explained that in an effort to keep rates as low as possible, that fund balance would begin to erode over time. Mr. Mozeley noted, however, that the Town still had to maintain enough fund balance to respond to emergencies, such as the approximately \$75,000 sewer repair that had been necessary earlier in the fiscal year.

Mr. Mozeley then discussed the availability of funding sources and stated that McGill always appreciated the opportunity to spend "other people's money," referring to grants and outside funding. Mr. Mozeley stated that while grant funding could greatly assist the Town, approximately 92% to 93% of sewer projects in North Carolina were funded by rates and ratepayers rather than by grant funding. Mr. Mozeley explained that while the Town should continue to aggressively pursue grant opportunities, the enterprise fund ultimately had to be able to support itself and meet its own revenue needs. Mr. Mozeley noted that grant funding generally accounted for only about 7% to 8% of total project funding.

Mr. Dale Schepers then addressed the Council and stated that he had previously served as a public works director and public utilities director prior to joining McGill Associates. Mr. Schepers stated that through that experience, he learned that all communities had the same kinds of problems and that the primary difference was simply the magnitude of those problems. Mr. Schepers stated that his mantra was "what gets measured gets managed," and explained that it was hard to adjust one's speed without a speed gauge. Mr. Schepers stated that the same principle applied to utility funds.

Mr. Schepers then explained that he used five key indicators to help provide the Town with comfort regarding what the numbers were showing. Mr. Schepers stated that the first was the operating ratio, which was calculated by dividing revenue by expense, and noted that the number should be greater than one to show that the Town was bringing in more revenue than it was spending. Mr. Schepers next discussed days working capital, which he stated reflected fund balance, and explained that the current 82% fund balance translated to approximately 321 days of working capital. Mr. Schepers then discussed sufficiency of revenues above debt, which reflected how much of the Town's revenue was attributable to debt service, noting that the general limit was 25% and that the Town was currently at approximately 12%. Mr. Schepers then explained the debt service coverage ratio, which he described as a somewhat more sophisticated measure and stated that the target was 1.20, meaning that a utility should have 20% more than necessary to make debt service payments. Mr. Schepers stated that the Town was currently at approximately 1.7, which was well above the target.

Mr. Schepers then turned Council's attention to the Water and Sewer System CIP handouts. Mr. Schepers stated that the biggest input into the rate structure was capital investment and explained that while the Town would spend less money if it never bought anything new, costs generally rose over time as items continued to deteriorate. Mr. Schepers provided a brief overview of the Capital Improvement Plan and stated that the Town had somewhere in the neighborhood of \$70 million in capital needs over the next ten years. Mr. Schepers added that there were even more needs beyond that ten-year window, but those projects had been identified as items that could be deferred for now. Mr. Schepers

explained that the CIP process was iterative and gave the Town a direction to move in, along with a level of comfort regarding what was expected over the next ten years. Mr. Schepers stated that the process also helped evaluate the feasibility and reliability of actually completing those projects. Mr. Schepers stated that McGill was helping the Town measure and forecast as accurately as possible.

Mr. Mozeley then asked if Council wished to discuss any specific items in the handout. Mr. Mozeley explained that blue-shaded projects represented items involving some level of debt service, while pink-shaded projects represented items that were already committed and funded through state or federal agencies, which were essentially cash-in, cash-out projects reimbursed through grant programs, such as the Berrytown CDBG project. Mr. Mozeley then discussed specific projects within the CIP, reviewing their funding and scope. Mr. Weichel added that some of the projects shown were driven by state inspectors, and stated that it was important for the Town to consider inspectors' input when identifying projects to place in the CIP.

Mr. Schepers then discussed the Town's revenue requirements under the plan. Mr. Schepers explained that those revenue requirements were made up of several different components, including capital outlay, projected debt service, existing debt service, and operating expenses. Mr. Schepers stated that projected debt service was expected to increase over the next ten years and that, as a result, operating revenue would also need to increase over that same time period. Mr. Schepers then reviewed the Town's revenue requirements and explained what the Town would need to do to remain in good standing. Mr. Schepers also discussed the effect of utility activities on the average customer bill based on 3,000 gallons of usage and stated that the purpose of that page was to provide a "one-stop" explanation of how the model worked and how the various pieces fit together.

Mr. Mozeley then added that the financial model made a number of assumptions, some of which were intentionally conservative. Mr. Mozeley stated that one such assumption was that there was not a large amount of growth built into the model. Mr. Mozeley then discussed the Lenoir interconnect agreement and what the City of Lenoir's daily usage might look like in the future. Mr. Mozeley stated that the minimum purchase under the agreement was 300,000 gallons per day in order to keep the pipes in use, and that there was some revenue to be realized even at that minimum level. Mr. Mozeley explained that this would move the Town from its current average of 3.5 million gallons per day to approximately 3.8 million gallons per day. Mr. Mozeley added that Lenoir could purchase up to four (4) million gallons per day from the Town, which would substantially increase total usage and significantly reshape future financial models. Mr. Mozeley stated that, in order to be safe, the model did not assume any of that additional usage until evidence of such demand was actually present. Mr. Schepers added that the 300,000-gallon minimum was a take-or-pay amount, meaning that the Town could project those revenues whether or not Lenoir used the full amount. Mr. Weichel stated that the 300,000-gallon minimum would equate to approximately \$200,000 in revenue.

Mr. Schepers then moved into revenue adjustments and stated that uniform rate adjustments impacted all customer classes due to inflationary pressure on operating expenses and due to the updated CIP. Mr. Schepers stated that while the rate structure itself would not change, both components of the rates would increase at the same time, though the Town retained the ability to individually adjust rates if it chose to do so. Mr. Schepers added that the model also assumed the fluoride system would be retained, which would result in approximately \$300,000 in annual water production cost associated with continuing fluoride feed. Councilman Ogle asked whether this was more than the current cost. Mr. Schepers responded in the affirmative and explained that much of the increase was attributable to the additional equipment that needed to be added or upgraded. Mr. Mozeley added that the figure included chemical costs, routine equipment maintenance, and site-specific changes.

Mr. Schepers then reviewed the five-year projection of water customer rates and also provided a preview of projected sewer rates. Mr. Schepers then reviewed a comparison to neighboring systems and noted that there were two entries shown for Valdese, the first reflecting the current Fiscal Year 2025-2026 rate and the second reflecting the proposed Fiscal Year 2026-2027 rate. Mr. Schepers stated that the median value of a 3,000-gallon monthly bill across the State of North Carolina was approximately \$69, according to the UNC Rates Dashboard, and explained that Valdese remained well below that median value. Mr. Schepers stated that he would argue that anything below that median should generally be considered affordable.

Mr. Mozeley added that Hickory was, unofficially, considering approximately a 10% increase across all of its rates. Mr. Weichel stated that Hickory was one of the most comparable systems to Valdese and noted that the Town's rates remained slightly lower than Hickory's, which was positive given Hickory's substantially larger customer base. Councilwoman Radabaugh observed that Triple Community's rates were considerably higher. Mr. Mozeley clarified that the comparison chart being discussed reflected inside customer rates. Mr. Schepers confirmed that all of the numbers presented were inside rates. Town Manager Herms added that generally outside rates in North Carolina were

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approximately double inside rates because it cost the Town significantly more money to serve those areas due to the longer pipe distances involved.

Town Manager Herms then stated that he wanted to make sure Council remained in agreement with the direction previously given to staff, which had been to try to keep utility rates as flat and low as possible. Town Manager Herms explained that this had been one of the drivers behind the prior fluoride discussion and clarified that there would be no increase if fluoride were removed, but a seven percent (7%) increase if fluoride were retained. Mayor Pro Tem Lowman stated that she wanted to keep fluoride. Councilwoman Zimmerman stated that she also wanted to keep fluoride. Council expressed unanimous agreement that the Town should move forward with retaining the fluoride system.

Mr. Schepers then added that there was a new study from the American Water Works Association titled The Next Era of Investment, which indicated that there were trillions of dollars in water and sewer infrastructure needs across the country. Mr. Schepers stated that what was coming next in the industry included nutrient limits, PFAS monitoring, and other additional monitoring requirements. Mr. Schepers explained that those new requirements alone could increase total costs by another 20%, and that those regulatory expenses, on top of the cost of replacing aging infrastructure, would only further compound the financial burden facing utility systems. Mr. Weichel then clarified that the proposed adjustment being discussed was a seven percent (7%) increase across the board. Mr. Mozeley responded in the affirmative.

Mr. Weichel stated that he wanted to follow up on an earlier question regarding the increase in contracted services for the Water Treatment Plant. Mr. Weichel explained that the increase was due to two tanks which had recently been inspected, and that the inspectors had indicated that better maintenance was needed. Mr. Weichel stated that the Town would be entering into a contract for that maintenance in order to ensure the tanks were properly maintained. Mr. Weichel added that the cost was initially higher due to the scope of work the contractors would be undertaking at the outset.

ADJOURNMENT At 1:51 p.m., Councilwoman Zimmerman made a motion to adjourn, seconded by Councilwoman Ward. The vote was unanimous.

The next meeting is a regularly scheduled meeting on Monday, May 11, 2026, 6:00 p.m., Valdese Town Hall.

Town Clerk
jl/mr

Mayor