



May 9, 2025

Dear Honorable Mayor and Town Council,

Please allow me to present the recommended FY 2025–2026 (“FY26”) budget, prepared in accordance with the North Carolina Local Government Budget and Fiscal Control Act. The proposed budget is balanced and totals \$13,235,266—an increase of \$1.1 million (9.17%) from the prior year’s adopted budget and a decrease of approximately \$134,000 (1.00%) from the amended FY25 budget. This recommendation was guided by the 2025 Town Council Priorities & Action Strategies, feedback received at the Annual Retreat, and discussions during special budget meetings.

Over the past several years, the Town has adopted a multi-year approach to financial planning and forecasting. Rather than focusing solely on the current fiscal year, the Town Council (“Council”) has worked to identify financial trends and proactively address potential challenges.

Thanks to these efforts, the Council has long anticipated that the FY26 budget—like FY25—would be difficult to balance due to several converging factors:

1. **Persistent Inflation:** Over multiple years, inflation has driven up the cost of nearly everything—from trash collection to police vehicles, asphalt, and office supplies.
2. **Rising Personnel Costs:** Attracting and retaining qualified staff, particularly police officers, has become significantly more expensive.
3. **Increased Service Demand:** Residents have expressed a desire for enhanced services, and the Town Council has responded by increasing road maintenance funding to ensure roads are not deteriorating faster than they can be repaired, adding a full-time School Resource Officer at Stallings Elementary (following the 2022 Uvalde school shooting tragedy), and investing in greenway and park improvements as well as roadside aesthetic enhancements.
4. **Council-Led Initiatives:** The Town continues to invest in strategic priorities such as the Town Center and various economic development efforts aimed at creating a more sustainable tax base.
5. **Loss of ARPA Funds:** Federal American Rescue Plan Act (ARPA) funds, which had helped sustain police services and reduce the tax burden on residents, expired in FY25. These funds represented a significant portion of the Town’s revenue—approximately 20.3% in FY24—and their expiration has created a notable budget gap that ad valorem taxes must now fill.
6. **High Fixed Costs:** Many of the Town’s largest recurring expenditures are fixed by contract or dictated by market forces (70.2%), limiting our ability to make deep cuts without significantly reducing services. These include:

- *Solid Waste Collection*: Costs are among the lowest in the region but are adjusted annually based on CPI inflation and increase as new households are added.
- *Street Maintenance*: Costs are market-driven and largely outside of the Town's control.
- *Labor Costs (especially for Police)*: Competitive pay is necessary to attract and retain quality staff with the majority of the Town's labor costs allocated to the Police Department. The Town conducts regular pay studies to ensure compensation is reasonable and market-aligned. We also strive to maintain a positive work environment to reduce turnover. While the Town has delayed adding positions in key areas, continued growth now necessitates staffing increases.

Given these pressures, projections showed that expenditures would exceed revenues if the tax revenues remained unchanged. This forced the Council to consider difficult options: deep cuts to core services (e.g., police, road maintenance, trash collection, parks), a tax increase(s), use of reserve funds—or some combination thereof.

Fortunately, the Town's proactive financial planning positioned the Council to face these challenges head-on. To support sound decision-making, the Council adopted an enhanced, collaborative FY26 budget process. This included more time for deliberation, the engagement of an experienced facilitator, and a broad exploration of options. Over several months, the Council developed a clear understanding of the Town's long-term financial outlook.

Staff heard Council Members earnestly grapple with the key question: ***Should we raise taxes or cut services?*** Council Members acknowledged two competing truths:

- The rising costs of providing essential services
- The potential burden that higher taxes place on residents.

Maintaining core services—trash collection, policing, roads, and parks—comes at a real and growing cost. Without a tax increase, the Council would have had to consider painful service reductions, such as:

- Cutting trash collection frequency
- Eliminating recycling
- Reducing police shift coverage (despite a recent staffing study recommending adding additional police positions to keep up with growth)
- Closing parks
- Deferring road maintenance, which would accelerate deterioration and push costs into the future

At the same time, the Council remained sensitive to the financial strain on residents. As with FY25, Members emphasized the importance of operational efficiency and strategic cost-cutting. They also supported the use of reserves for eligible capital needs and adopted a new fund balance policy to guide such usage.

Ultimately, the Council adopted a balanced strategy that includes:

- Maintaining core service levels

- Using reserves to fund select capital expenditures, in accordance with Town policy
- Reducing the property tax rate from \$0.216 to \$0.196 per \$100 of assessed value—a 2-cent reduction from the current rate but a 4-cent increase over the revenue-neutral rate. For the average homeowner, this equates to an estimated additional average monthly cost of \$20.64.<sup>1</sup>
- Levying a \$25 annual motor vehicle tax per vehicle to support street maintenance.

It is important to note that while this approach balances the FY26 budget, future budgets will remain challenging. ARPA funds have been fully exhausted, and community expectations for service levels remain high. Nonetheless, the Council believes this FY26 budget strikes a reasonable balance: preserving essential services, accounting for the real cost of service delivery, and minimizing the tax burden to the extent possible—without trivializing that burden.

This budget does not recommend an increase to the stormwater fee. While the Town continues to face challenges in this area, the current fee remains sufficient to meet our needs. This is largely due to the success of the pilot program to bring more stormwater work in-house, which has resulted in significant cost savings. The FY26 budget continues to invest in building our internal capabilities with a long-term goal of delivering high-quality, cost-effective stormwater services more efficiently.

I want to sincerely thank the Mayor and Town Council for your leadership and commitment throughout this demanding process. You devoted significant time to understanding the issues, exploring alternatives, and working collaboratively to craft a responsible and responsive budget. These were not easy decisions, and we recognized from the beginning that no single solution would fully satisfy all perspectives.

I also want to thank our dedicated Town staff, who worked diligently to identify savings and ensure that each department made thoughtful, cost-effective choices to preserve high-quality services for our residents. This was truly a team effort.

Finally—and perhaps most importantly—I want to thank the residents of Stallings. Your engagement, feedback, and care for this community remain vital to our success. A strong local government depends on a strong citizenry, and we are fortunate to have both.

### **FY26 Recommended Budget Highlights**

The following is a summary of the proposed budget as it relates to the *2025 Council Priorities & Action Strategies*. The applicable strategy is listed, along with the proposed task or action item, and an explanation of the corresponding linkage to the FY26 recommended budget **is listed in the red text**.

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<sup>1</sup> Or \$247.68 on an annual basis.



### **2025 Council Priorities & Action Strategies**

The Stallings Town Council strives to provide excellent services in a fiscally responsible manner, pursue our residents' ideal future community, and invest in economic development to achieve a sustainable tax base. The Council will pursue this through a variety of methods including the creation of a Town Center, enhancing the Union West Business Park, exploring sewer capacity alternatives, considering quality of life improvements for our residents that are not dependent on County sewer capacity, and pursuing positive development around the hospital/light rail area.

Key: (Responsible Party for Execution)

- 1.) **Focus on Mid-Range Financial Planning** – *The Town will focus on fiscally responsible financial planning and management while making thoughtful and strategic investments to ensure excellent service delivery, key strategic investments, and the effective pursuit of Council priorities.*

a. Focus on managing through the next two budgets (2-year cycle):

i. Action Items:

1. Follow the Town's adopted budget creation and priority setting process and adopt a budget by 6/30/25. (Admin) Staff time dedication.
2. Continue updating, on an annual basis, both the 5-Year Financial Plan and Capital Improvement Plan (CIP). (Finance, Admin) Staff time dedication.
3. Develop a property revaluation strategy, with a range of options relative to a "revenue neutral" tax rate by 6/30/25. (Council, Finance, Admin) Staff time dedication.
4. Consider doing a 2-year budget during FY 26-27 budget process. (Council, Finance, Admin) Currently resources are not available for FY25 budget, consider for FY 26.

b. Ensure prudent management of expenditures:

i. Invest wisely in supporting, attracting, and retaining competent staff.

1. Action Items:

- a. Implement the pay study during FY 24-25 that looks holistically at salaries, benefits, policies, etc. (Council, Admin) Complete.
- b. Implement a functional performance pay policy by 6/30/27. (Admin) Ongoing. Dedicated Staff time.
- c. Follow the Town's adopted pay policy for FY 25-26. (Council, Admin) Budgeted.

c. Communicate to engaged citizens regarding the budget:

i. Action Items:

1. Prior to budget adoption, hold a meeting with Town Council and all Committee Members to provide a budget update and receive any input by 5/30/25. (Admin) Staff time dedication.
  2. Hold a public hearing where any residents can provide public input prior to FY 25-26 budget adoption. (Admin) Staff time dedication.
  3. Publish the FY 25-26 budget process meeting schedule so any interested resident can attend. (Admin) Staff time dedication.
- 2.) **Pursue Sewer Alternatives** – *Having adequate sewer capacity is essential to ensuring a long-term sustainable tax base, supporting economic development efforts (including the Atrium Hospital/Light Rail area and Union West Business Park), while also supporting the community priority of building a Town Center. The Town will keep all options open while continuing to explore obtaining sewer capacity in key areas from Charlotte Water.*
- a. Action Items:
    - i. Staff will present to Council on the current status of the sewer situation by 6/30/25. (Eng) Complete.
    - ii. Monitor Centralina Regional Council’s intent to study the “package plant” issue and assess its relevance and timeline for the Town of Stallings. (Eng) Staff time dedication.
    - iii. Fund and commission an independent third-party study in the FY 25-26 budget analyzing pros and cons of current “package plant” technology. (Eng) Budgeted.
    - iv. Develop and adopt a Town of Stallings position on the appropriate uses of “package plants” concerning development in Stallings. (Council, Admin) Staff time budgeted.
    - v. Seek independent third-party expert evaluation of the specific “package plant” technology being proposed as part of each individual development application where possible during conditional zonings, etc. (Eng, Admin, P/Z) Unbudgeted. Depends on circumstances but can use reserves based on adopted fund balance policy or requesting developer to fund.
- 3.) **Support/Enhance Union West Business Park** – *Supporting and growing economic development efforts for existing and new businesses in Union West Business Park (“UWBP”) as an opportunity to help foster a sustainable tax base for all residents and businesses in Stallings.*
- a. Action Items:
    - i. In FY 25-26, task the Economic Development Committee with continuing to monitor and identify improvement opportunities. At the appropriate time in the future, explore funding mechanisms for the UWBP aimed at potentially supporting enhancements. (ED Committee) Staff time dedication.
    - ii. Council’s identified representatives will come up with a timeline by 9/28/25 to engage with NC General Assembly members regarding

repairing the roads and potential property annexation. (Council) Staff time dedication.

- iii. Reconsider local funding for the UWBP roads mid-year if Council determines State funding efforts are unsuccessful. (Council, Admin) Staff time dedication.
- iv. Economic Development Committee will engage with the County's new economic development entity by 9/28/25 to: (ED Committee) Staff time dedication.
  - 1. Learn more about the new organization's structure;
  - 2. Discuss potential partnership for retail recruitment;
  - 3. Discuss how the new organization might help with business recruitment;
  - 4. Discuss best way for business retention such as potentially sending a delegation to existing businesses; and
  - 5. Enhancing Union West Business Park.

4.) **Implement Adopted Plans and Studies Not Dependent on Sewer Capacity** – *The Town Council wants to ensure that any sewer capacity issues will not prevent the Town from improving its quality of life for residents in other ways.*

a. Action Items:

- i. During FY 25-26 budget process, staff will present additional project opportunities for Council to consider pursuing potentially including: Staff provided list of potential projects.
  - 1. Greenways. (Parks) Blair Mill Park plan amendment budgeted.
  - 2. Sidewalks. (Eng) Budgeted normal annual sidewalk allocation.
  - 3. Streetscape Plans. (Admin) Budgeted for preliminary engineering.
  - 4. Large parcel for Sale Within the Town Center. (Admin)
  - 5. Any other projects the Council seeks to pursue. (Council)

5.) **Pursue Town Center Creation** – *Our residents desire a Town Center that can serve as both the vibrant cultural heart/destination/identity of our community and as a positive economic catalyst. The Council recognizes this will take many years to fully realize the Town Center vision but is committed to helping build the foundation.*

a. Action Items:

- i. Call it "Town Center" instead of "Downtown." More appropriate to what the Council is trying to accomplish. (All)
- ii. To enhance Town Center as an activity center, develop and approve a lease with Armored Cow Brewery by 7/15/25. (Admin, Council, ED Committee) Staff time dedication. Lease anticipated to be presented on 5/12/25.
- iii. Staff to present information to Town Council on available listed land by 7/15/25. (Admin) Complete.
- iv. Per DFI's recommendation aimed at supporting Town Center oriented retail, continue to encourage higher residential density (multi-family) in the Town Center. (TBD based on opportunities). (P/Z, Council)

- *Rationale: DFI study advised current low residential density is a challenge for attracting specialty (non-chain/boutique) retail. DFI recommended encouraging higher density residential to support retail.*
- *When asked to clarify what is meant by “higher density,” DFI advised:*
  - *"We studied both the multifamily and townhouse scenario (you have financial impacts for both), and we believe the multifamily scenario will do more to support the downtown-oriented retail that is desired by the Town. Additionally, this type of product is attractive to developers in the Stallings market, evidenced by recent developments in Indian Trail and the proposed development for the 13-acre site across from Pad A. Therefore, 'higher density' would mean projects that align with the 200+ unit developments occurring in the market."*

- v. If the Town receives a significant development plan within the Town Center area from a private developer that requests public participation, consider contracting with DFI for a third-party review of the development plan. (P/Z, Council) **Unbudgeted. Depends on circumstances.**
- vi. Continue to explore sewer alternatives. (See priority #2 above).
- vii. To support activity in the Town Center area, hold 11 parks events at Stallings Municipal Park in 2025. (Parks) **Budgeted.**

6.) **Maximize Positive Development Around the Hospital/Light Rail** – *Recognize the area's importance, invest in beautification/placemaking, support the light-rail, and plan to maximize positive development with the twin-anchors of the Atrium Hospital and the planned light rail.*

a. Action Items:

- i. Staff will present small area plan and comprehensive land use plan updates to support hospital and light rail development by 6/30/25. (P/Z) **Complete.**
- ii. TOD district (ON HOLD). Due to General Assembly legislative changes, the TOD overlay is on hold until the General Assembly makes a decision on how to address the recent downzoning legislation that has caused challenges for local governments. If/when the General Assembly makes a change, staff can present options for Council's consideration. (P/Z) **Staff time dedication.**



### **Miscellaneous**

- The Town Council wants to ensure/encourage the completion of critical state intersection projects with no additional costs to the Town of Stallings.
  - Action Item(s)
    - Staff to present information on area transportation projects, possibly in conjunction with NCDOT to ensure Town Council is fully aware of current and future projects by 9/30/25. (Eng) Staff time dedication.

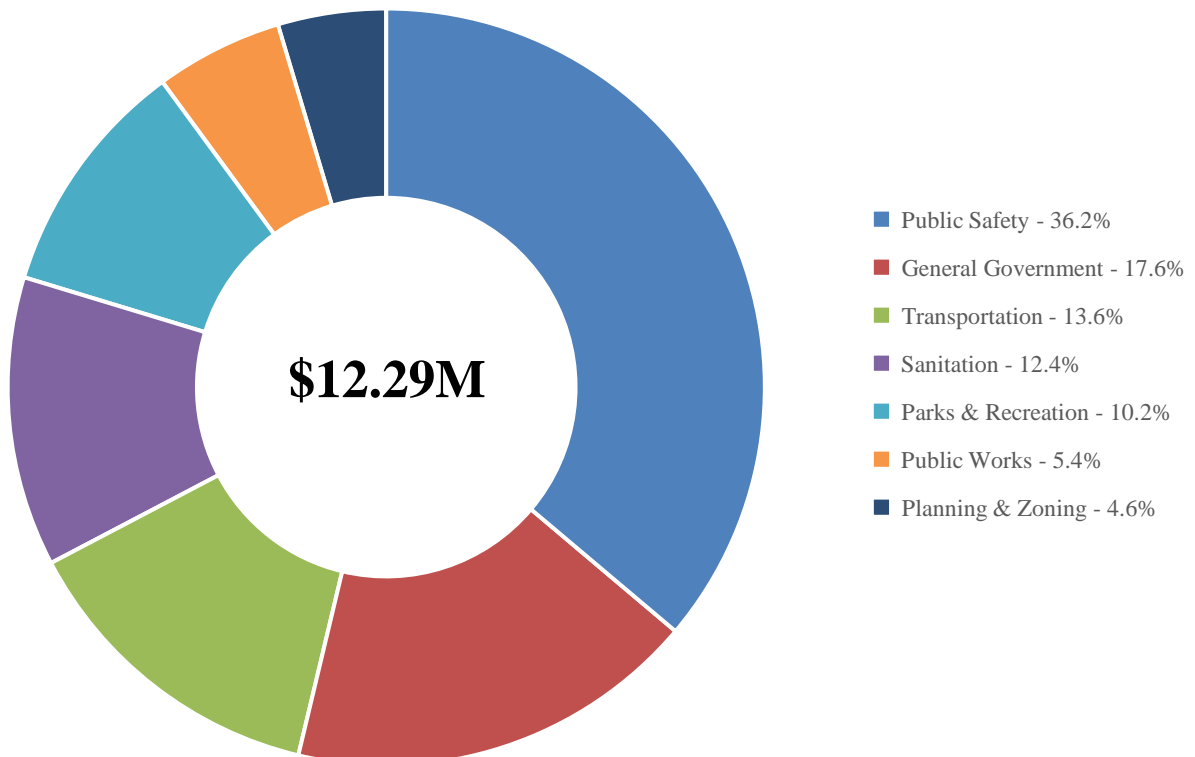
## **General Fund**

### *Expenditure Review*

The proposed FY26 General Fund Budget totals \$12,290,166, representing an increase of approximately \$975,000 (8.6%) over the prior year's adopted budget, but a decrease of \$144,000 (1.2%) compared to the prior year's amended budget. The chart below illustrates how tax dollars are allocated for FY26. The largest share of expenditures—36%—is dedicated to the Police Department. It's worth noting that the annual principal and monthly interest payments on the Town's debt service (\$333,000) are included within the General Government Department budget.

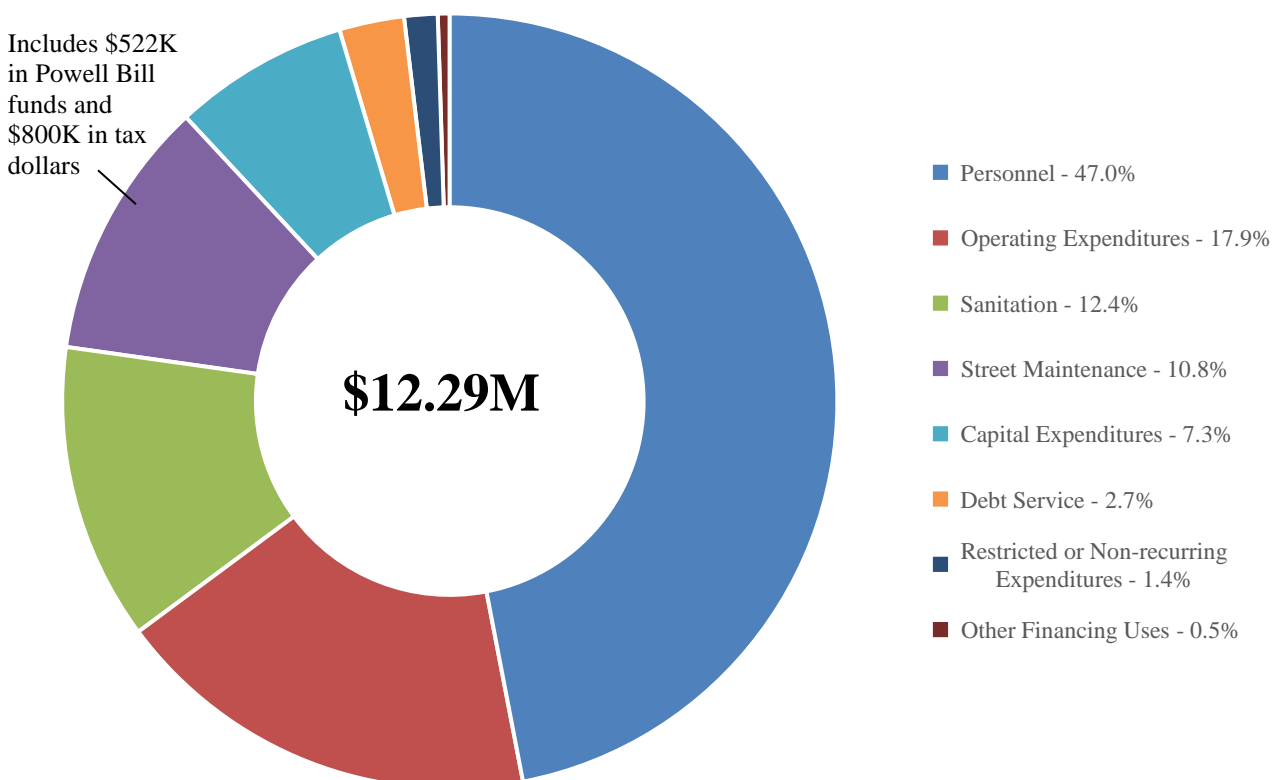
### **Graph 1. Expenditures – Where the Money Goes**

#### Expenditures by Department





## Expenditures by Category



## *Personnel Review*

Personnel are a critical component of delivering efficient and effective services to residents. The total personnel budget for FY26 is \$5.78 million, representing 47.0% of General Fund expenditures, consistent with the Town's Pay Policy and Officer Incentive Plan. In accordance with Town policy, FY26 pay increases are based on the Consumer Price Index and include a 2% step increase to help mitigate salary compression and support employee retention.

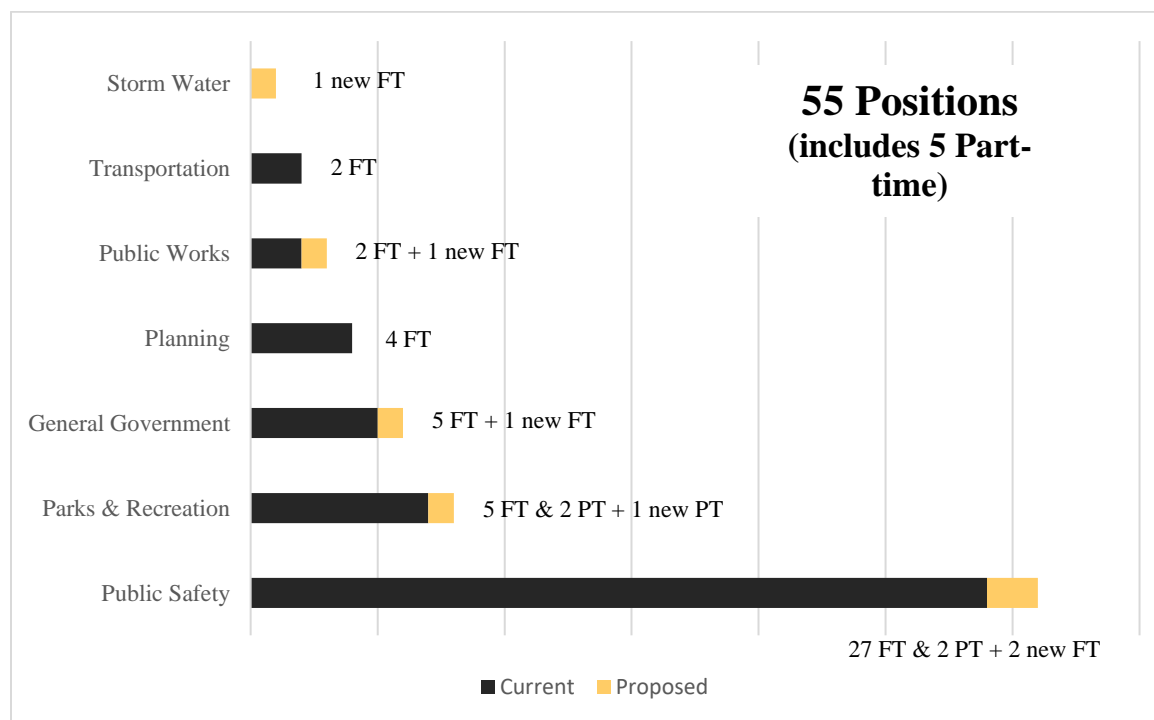
While the Town has not yet received finalized premium amounts for workers' compensation or property and liability insurance, the proposed budget includes estimated increases of 15% and 22%, respectively. These projections are informed by preliminary information from the insurance provider, FY25 expenditures, and anticipated costs related to new personnel and vehicles included in the proposed budget.

Additionally, in February, the Town was notified that its current health insurance coverage would be discontinued effective July 1, 2025, due to the NC League of Municipalities exiting health insurance services. In response, the Town began working with a broker to secure new coverage. Although final rates are still pending, the proposed budget includes a projected 15% increase for health insurance.

The Town currently has 49 authorized positions—45 full-time and four (4) part-time—with the majority (59.2%) assigned to policing services. To address operational needs, the proposed FY26

budget includes six (6) new positions: five (5) full-time and one (1) part-time. Graph 2 provides a departmental breakdown of personnel under the recommended FY26 budget.

**Graph 2. Position Count by Department**



**Stormwater Staffing:** The proposed addition of a full-time MS4 Permit Manager will allow the Town to fully manage compliance with its National Pollutant Discharge Elimination System (NPDES) Municipal Separate Storm Sewer System (MS4) permit, as required by the U.S. Environmental Protection Agency (EPA). The Town is responsible for routine inspections of approximately 50 stormwater control measures (SCMs). Outsourcing these inspections would cost approximately \$1,000 per SCM for initial inspections alone, excluding follow-up inspections, enforcement actions, or other compliance efforts. Additionally, outsourced inspections of major outfalls are estimated at \$25,000. Bringing this function in-house will reduce costs and enhance oversight and flexibility, allowing for more frequent inspections and better monitoring for illegal discharges. This position will also assist with other duties as needed, including construction inspections, further increasing its utility to the organization.

**Public Works Staffing:** To strengthen the Town's capacity for routine maintenance and in-house project completion, the budget proposes adding a Public Works Technician. As of FY25, the Town has saved well over \$100,000 by completing stormwater and public works projects internally rather than outsourcing them. However, the current two-person team limits the volume and complexity of in-house work. Adding a third staff member would enable the completion of more projects internally, generating further savings and improving service delivery. Currently, the existing PW Technician is fully funded by the General Fund, while the PW Supervisor is funded equally by the General and Stormwater Funds. The proposed budget splits the funding for both the

existing and new PW Technician positions between the General and Stormwater Funds, resulting in no additional cost to the General Fund.

General Government Staffing: The Finance Department currently includes two staff members; however, one of these positions also serves as the Town’s Safety Coordinator and does not perform finance functions full-time. The department's workload exceeds current staffing capacity, leading to delayed or incomplete tasks. Furthermore, appropriate segregation of duties—a critical internal control—cannot be achieved with the current staffing level, exposing the Town to operational and audit-related risks.

Parks & Recreation Staffing: Three (3) part-time Parks Attendants were requested, but only one (1) is being proposed due to budgetary constraints. While all three (3) positions would help expand staff coverage to almost all operating hours during busy months (dawn to dusk), one position will help supplement staff coverage on a more limited basis. Also, it will enable an employee to be onsite and enforce rules that are currently being disregarded based on received complaints.

Police Staffing: Following a 2024 police staffing analysis commissioned by the Town Council, six (6) new officer positions were recommended over a three-year period due to community growth, with an initial plan to phase in two (2) officers per year starting in FY25. Due to budget constraints, this plan was delayed until FY26. The proposed FY26 budget now includes two (2) new officer positions at a total cost of \$224,000 (salaries and benefits), along with the purchase and upfitting of one (1) patrol vehicle at a cost of \$65,300. Management strongly recommends moving forward with these additions rather than deferring further, to ensure adequate staffing and public safety.

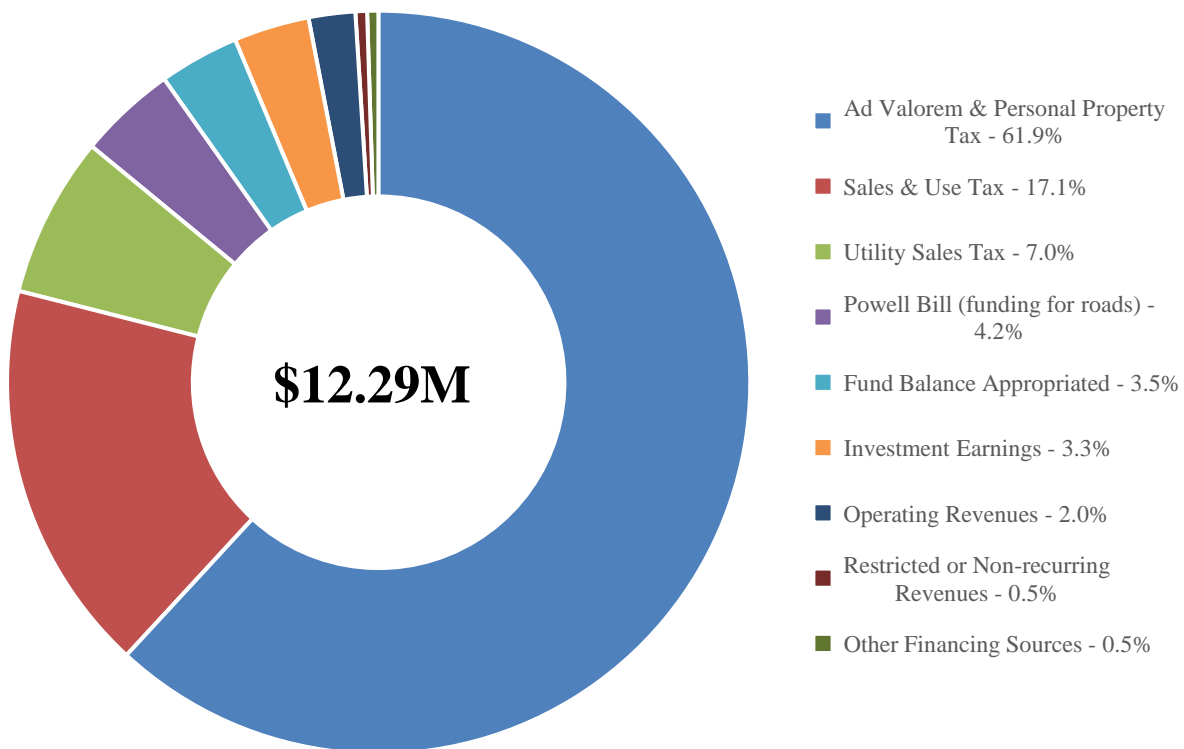
#### *Revenue Review*

The recommended budget for FY26 includes a total General Fund revenue of \$12,290,166. The Town’s largest recurring revenue sources—Ad-Valorem Tax, Sales and Use Tax, and Franchise and Utility Sales Tax—account for 86% of total revenues. Additionally, the Town will appropriate \$428,000 from reserves to balance the budget.

Revenue Source	Amount	%
Ad Valorem & Personal Property Tax	\$ 7,604,000	61.9%
Sales & Use Tax	\$ 2,100,000	17.1%
Utility Sales Tax	\$ 860,000	7.0%
Powell Bill (funding for roads)	\$ 522,000	4.2%
Fund Balance Appropriated	\$ 428,000	3.6%
Investment Earnings	\$ 404,000	3.3%
Operating Revenues	\$ 249,000	2.0%
Restricted or Non-recurring Revenues	\$ 62,166	0.4%
Other Financing Sources	\$ 61,000	0.5%
<b>Total</b>	<b>\$ 12,290,166</b>	<b>100.0%</b>

Of the total \$12,290,166 in General Fund revenue, approximately 62% is derived from Ad-Valorem (Property) Tax, which is estimated to generate \$7.6 million for FY26. This tax includes real, personal, and registered motor vehicle property and is collected by Union and Mecklenburg Counties on behalf of the Town. Despite the challenges posed by the pandemic and current economic conditions, the Town's property tax collection rate has consistently remained above 99%. However, following Union County's recent property revaluation, which saw an average increase of 57% for residential properties and 47% for commercial properties within Town limits, a more conservative collection rate of 97.5% is being applied in this budget.

**Graph 3. Revenue – Where the Money Comes From**



### *Tax Base & Rate*

The current tax rate is \$0.216 per \$100 of assessed valuation for taxable property. The proposed budget includes a tax rate decrease of \$0.02, resulting in a new rate of \$0.196. The total assessed value for property in Mecklenburg and Union Counties is \$4.15 billion, reflecting an increase of \$1.27 billion (44.1%) from the prior year. Each one-cent reduction in the tax rate is estimated to yield just under \$367,000 based on projected collections.

### *Revenue-Neutral Tax Rate*

Under NC General Statute 105-286, counties are required to reappraise all real property every eight (8) years unless they opt for a more frequent cycle or a mandatory advancement is triggered. Both Union and Mecklenburg counties follow a four-year reappraisal cycle, though they are not

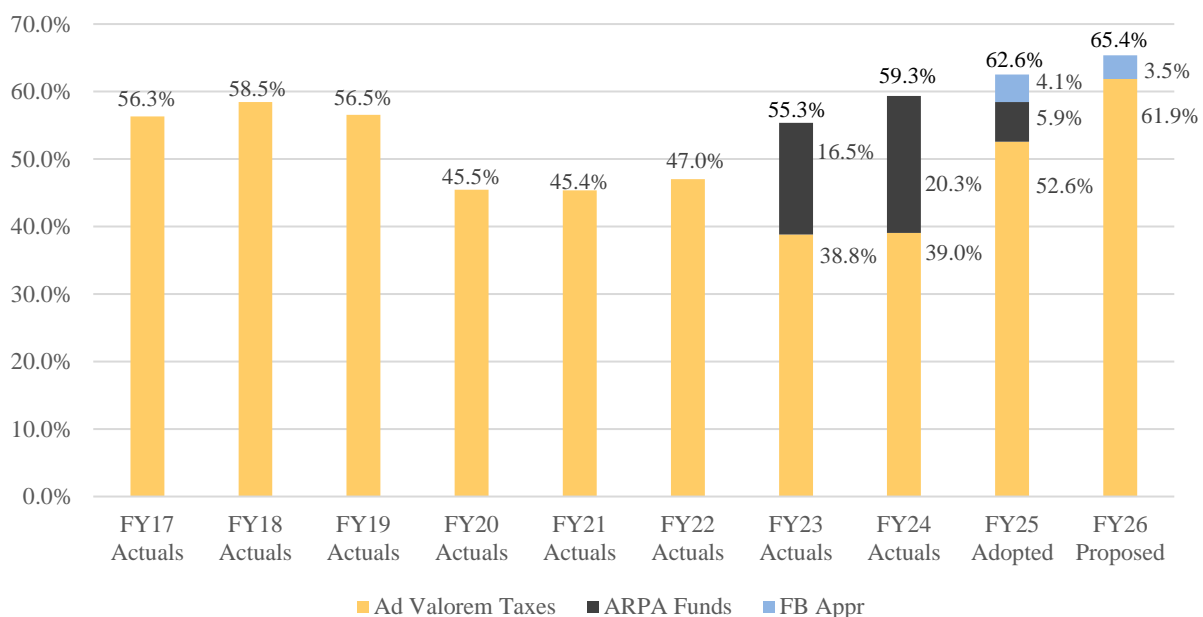
on the same schedule. Union County's most recent reappraisal cycle coincided with a mandatory advancement due to tax values being significantly below market value. As a result, all real property in Union County was reappraised effective January 1, 2025.

In the year a reappraisal occurs, NC General Statute 159-11(e) mandates the calculation and publication of a revenue-neutral tax rate. This rate is the tax rate that would generate the same amount of revenue for the Town as the prior year, accounting for growth, annexations, and deannexations, but without the impact of the reappraisal. It is important to note that the revenue-neutral tax rate does not mean taxpayers will pay the same amount; it only ensures the same overall revenue in accordance with statute. The Town's calculated revenue-neutral tax rate is \$0.1555, while the current rate is \$0.216. The proposed budget includes a rate of \$0.196, reflecting a decrease of \$0.02 from the current rate.

However, due to the converging budgetary factors discussed earlier in this budget message, along with the loss of COVID-related funding from the federal American Rescue Plan Act (ARPA) over the past three years, the revenue-neutral tax rate is not a viable option without significant service reductions. These ARPA funds were primarily used to cover salaries and benefits for the Town's Police Department employees, who make up 59% of the Town's workforce. With these funds fully depleted by December 2024, the responsibility for covering these costs has shifted back to the General Fund, which now relies on taxpayer dollars.

### *Ad Valorem Taxes*

The FY26 proposed budget marks the first time in recent history that the Town is relying on ad valorem taxes to account for more than 60% of all General Fund revenues, placing a larger burden on taxpayers. Over the past five years, ad valorem taxes contributed less than 50% of General Fund revenues, with FY23 and FY24 seeing these taxes account for less than 40% of total revenue. During these two years, the Town used one-time ARPA funds to cover 16.5% and 20.3% of total General Fund revenue, respectively, in addition to 5.9% of the FY25 adopted revenues.



This revenue category introduces a new source of income to help offset the depletion of ARPA funds. The proposed budget includes the implementation of an annual Town motor vehicle tax, also known as a tag fee, in accordance with NC General Statute 20-97. Under the statute, the fee cannot exceed \$30 per vehicle, and this budget factors in a \$25 per vehicle fee, which is projected to generate \$375,000, or 3.05% of total General Fund revenues.

Stallings will be the fifth municipality in Union County to charge this fee, joining Marvin and Monroe, who both charge \$30 per vehicle, while Waxhaw and Wingate charge \$25. In Mecklenburg County, Stallings is one of only two municipalities not yet charging this fee, with Pineville being the other. Charlotte charges the maximum \$30, while Matthews has a \$25 fee. All other municipalities in Mecklenburg County, except Pineville, charge either \$10 or \$20 per vehicle. The Town intends to allocate all funds generated from this fee toward street maintenance.

### *Sales & Use Tax, Franchise & Utility Tax*

The Sales and Use Tax accounts for 17.1% of total General Fund revenue for FY26. This State resource is influenced by individual spending habits, as well as the broader national and local economies. As of December 2024, the Consumer Price Index was 2.9%. While this figure is important, it is crucial to closely monitor the Federal Reserve's actions and broader national economic trends. At the state level, the Town follows official guidance from the N.C. League of Municipalities' annual revenue projections. Locally, it is essential to monitor Union County's sewer capacity, as future commercial and residential development could be limited by this constraint. If developers choose not to locate in Stallings or Union County due to inadequate infrastructure, Sales and Use Tax receipts could be negatively impacted.

The State has experienced a recent decrease in sales tax revenue, driven by economic shifts, making it difficult to predict how this will affect the Town's sales tax receipts, especially since these funds are received two months in arrears. As a result, the Town is estimating sales tax revenue conservatively with no expected change to this amount. Additionally, the Franchise & Utility Tax is projected at \$860,000 (7.0%) of total General Fund income, with year-over-year trends remaining relatively flat.

### **Long-Term General Fund Financial Outlook**

While the projected growth in revenue provides short-term support, the Town's long-term financial outlook remains challenging. As detailed in attached exhibit, the Five-Year Financial Forecast projects that operational expenditures will exceed revenues in future years, with no significant new revenue sources available to support current service levels or expand them.

ARPA funds have now been fully exhausted, and while they helped temporarily sustain operations without a tax increase, the Town can no longer rely on one-time federal relief to bridge structural funding gaps. Therefore, a future tax rate increase(s) will likely be necessary to:

- Maintain current service levels
- Add police officers as recommended by the staffing analysis
- Preserve the Town's long-term fiscal health
- Advance the Council's strategic priorities

## **Fund Balance and Net Position**

It is important to note that the FY26 proposed budget is balanced with the use of an unrestricted General Fund Balance appropriation of \$388,000 for various capital expenditures, along with \$40,000 from restricted asset forfeiture funds, which will be used for eligible public safety items.

In December 2024, the Council adopted a Fund Balance Policy to align with the Local Government Commission's recommendations, utilizing a tiered approach based on expenditures to determine the minimum fund balance for the General Fund. This is especially critical to ensure sufficient cash flow, as the majority of revenues are received only once per year. Following the guidelines in the Town's new policy, the Town will maintain an unrestricted fund balance equal to 34% of the most recently adopted budget's expenditures, which amounts to approximately \$3.85 million based on the FY25 adopted budget.

As of April 2025, the total General Fund Balance is estimated to be \$15.2 million, with \$8.85 million of that being unrestricted. According to the Town's Fund Balance Policy and standard financial practices, unrestricted fund balance is best used for one-time, nonrecurring, or unexpected expenditures.

The following table outlines the categories of General Fund Balance, the changes to date in fund balance during the current fiscal year, and the total estimated balance(s) as of April 2025.

<b>Governmental Funds</b>	<b>6/30/2024 Balance</b>	<b>Change</b>	<b>4/30/2025 Estimate</b>
<b>Nonspendable:</b>			
Prepays	36,000	(36,000)	-
<b>Restricted:</b>			
Stabilization by State Statute	1,703,921	-	1,703,921
Powell Bill	163,358	121,458	284,816
Drug Forfeiture	129,964	(31,563)	98,401
American Recovery Protection Act (ARPA)	711,308	(711,308)	-
<b>Assigned:</b>			
Subsequent year expenditures	460,400	-	460,400
Minimum fund balance requirement	3,847,270	-	3,847,270
<b>Unrestricted:</b>	9,628,297	(776,834)	8,851,463
<b>Total fund balance(s):</b>	<b>\$ 16,680,518</b>	<b>\$ (1,434,247)</b>	<b>\$ 15,246,271</b>

The Net Position reflects the amount of reserves in the Stormwater Fund, which is classified as an enterprise fund type, as of April 2025. The total balance is estimated at \$3.29 million, with \$2.08 million of that being unrestricted.



<b>Enterprise Fund Type: Stormwater</b>	<b>6/30/2024 Balance</b>	<b>Change</b>	<b>4/30/2025 Estimate</b>
<b>Stormwater Fund</b>			
<b>Net investment in capital assets</b>	<b>\$ 1,206,994</b>	<b>\$ -</b>	<b>\$ 1,206,994</b>
<b>Unrestricted</b>	<b>1,428,886</b>	<b>656,090</b>	<b>2,084,976</b>
<b>Total net position:</b>	<b>\$ 2,635,880</b>	<b>\$ 656,090</b>	<b>\$ 3,291,970</b>

### **Stormwater Fund**

During the previous two budget development processes, the Council expressed concern about whether stormwater revenues would be sufficient to meet future stormwater needs. To address this, a stormwater fee increase was approved for FY23-24, which has stabilized the stormwater fund. The Town has been able to maintain its stormwater fund reserve balance goal of \$1.2 million while addressing community stormwater needs.

In FY23-24, the Town also piloted a program to reduce stormwater repair costs by performing more work in-house. Early results have been promising, with a decrease in the cost of certain common projects. While some larger projects are still beyond the Town's current capability, the Town continues to allocate more resources towards in-house work as long as it remains cost-effective.

On the revenue side, the stormwater fund budget includes \$945,100 in revenues, with the majority (\$930,000) derived from stormwater fees.

On the expenditure side, the Town has budgeted \$317,160 for stormwater repair projects, a decrease of approximately \$91,000 from the FY25 amended budget. This budget includes funding for a new Public Works Technician, which will enable more work to be completed in-house. Additionally, the budget allocates \$70,000 for stormwater annual maintenance (such as catch basin cleaning), \$29,000 for MS4 permit compliance, \$20,000 for annual street sweeping, and a new Stormwater MS4 Permit Manager position.

### **Fee Schedule**

All departments have assessed their respective fee structures and compared the current fees to similar jurisdictions in the area. As a result of this comparison, the Planning Department is proposing increases to various permitting and design review fees to better align with costs. These adjustments are consistent with fees in surrounding jurisdictions and will primarily affect developers. Additionally, the Police Department is requesting increases to fingerprinting fees, solicitation fees, and amplified sound permit fees to better cover associated costs. Attached is the revised *2025-2026 Fee Schedule*.

### **Five-Year Capital Improvement Plan (CIP) and FY26 Capital Budget**

Finally, the five-year Capital Improvement Plan (CIP) supports rolling stock, equipment replacements, and capital projects. During the FY26 budget development process, departments reviewed their respective CIP projects and recommended projects for inclusion in this year's

capital budget. Enclosed is the Town's Capital Improvement Plan, also referred to as the Capital Maintenance and Infrastructure Improvement Plan.

In closing, I am pleased to present the FY26 proposed balanced budget. This budget is crafted to be transparent, fiscally responsible, and in alignment with the goals and priorities of the Council. Thank you for your continued commitment to the residents of Stallings. Despite the challenges faced during the budget development process, I greatly appreciate the hard work and dedication of both Council and Staff, as well as our team's collaborative approach to decision-making.

Please do not hesitate to reach out to Finance Officer Jessie Williams ([jwilliams@stallingsnc.org](mailto:jwilliams@stallingsnc.org)), Assistant Town Manager/Town Clerk Erinn Nichols ([enichols@stallingsnc.org](mailto:enichols@stallingsnc.org)), or myself if you need additional information or have any questions.

Respectfully submitted this is the 9th day of May 2025.

Sincerely,

M. Alexander Sewell, Esq., ICMA-CM  
Town Manager