



April 29, 2026

Dear Honorable Mayor and Town Council,

Please allow me to present the recommended FY 2026–2027 (“FY27”) budget for the Town of Stallings, prepared in accordance with the North Carolina Local Government Budget and Fiscal Control Act. The proposed General Fund budget is balanced and totals \$14,136,631. Separate from the General Fund, the recommended Stormwater Fund budget is also balanced.

This recommendation maintains current core service levels, includes a limited number of strategic investments, and is intended to help place the Town on a more sustainable financial path. In addition to the attached budget ordinances, the line-item budget, notable items list, five-year forecasts, and Capital Improvement Plan provide more detailed year-over-year and project-level information. This budget message seeks to present the broader issues and tradeoffs as plainly and transparently as possible.

This recommendation was developed through the FY27 budget process adopted by the Town Council, the priorities identified at the January 2026 Annual Retreat, and the discussions held during the March 30 Budget Retreat and the April 13 Budget Work Session. As in recent years, this recommendation reflects the Town’s effort to evaluate its finances over a longer time horizon rather than a single fiscal year.

### **Budget Development Process**

The FY27 budget process was intentionally designed to begin with Council priorities before moving into the numbers. That approach helped staff develop budget options and five-year forecast scenarios that more directly reflected the goals and tradeoffs identified by the Mayor and Council. The Council’s approved priorities included developing a sustainable financial strategy for FY27 and beyond, maximizing economic development opportunities, enhancing the Town’s identity, continuing to pursue wastewater solutions, and maintaining a culture of respect and collaboration.

During the budget process, Council Members expressed openness to evaluating multiple options presented, including potential adjustments to the property tax rate. This recommendation reflects the issues, options, and tradeoffs discussed during the retreat and work session process; however, final policy decisions regarding the tax rate, service levels, and resource allocation remain with the Town Council.

## **Overview of Financial Condition**

The Town remains in a position of relative financial strength, supported by a stable property tax base, other recurring revenues, and strong fund balance levels. The recommended FY27 budget is balanced and maintains current service levels.

At the same time, the Town's five-year forecast shows that the current tax rate of 18.9¢ balances FY27 only. Under the current-rate scenario presented to Council, the Town would move from a small FY27 operating surplus to projected out-year deficits of approximately \$493,000, \$1.02 million, \$1.48 million, and \$2.35 million over the following four years. After other financing uses, estimated total use of fund balance over the forecast period is approximately \$7.93 million. While the exact out-year figures will continue to change as assumptions are updated, the trend is clear: the current tax rate funds FY27, but it does not place the Town on a sustainable long-term path.

That difference between one-year balance and long-term sustainability is the central issue this recommendation is intended to address. However, this recommendation does not eliminate every future challenge. It is intended to improve the Town's trajectory, preserve flexibility, and reduce the likelihood of a more abrupt correction in future years.

## **How We Reached the Current Financial Position**

The Town's current financial position is the result of several converging factors over multiple years rather than any single decision.

First, the Town has experienced sustained cost increases across nearly all major service areas. Inflation over multiple years has increased the cost of core services such as solid waste collection, police services, street maintenance, vehicles, equipment, and general operations. Many of the Town's largest cost drivers, particularly solid waste collection, street maintenance, and personnel costs, especially in policing services, are either contractually set, tied to inflation, or influenced by competitive labor markets.

In the FY27 draft presented to Council on April 13, personnel totaled \$6,399,600, or 45.3% of expenditures. Police totaled \$4,657,490, or 32.9% of departmental expenditures. Solid waste collection totaled \$1,522,500, or 10.8% of expenditures, and street maintenance totaled \$1,407,665, or 10.0%. Those figures help illustrate the core challenge: the Town's largest and most essential costs are concentrated in areas that tend to rise over time and cannot be meaningfully reduced without affecting service levels.

Second, personnel costs continue to rise as the Town works to attract and retain qualified employees, particularly in policing services. Competitive pay and benefits are necessary if the Town is going to recruit and keep capable staff and provide reliable police and other core services.

Third, the Town has made intentional investments in service levels and infrastructure in response to community expectations and Council priorities. These include continued investment in street maintenance, parks and greenways, and implementation of the police staffing analysis to help ensure police service levels keep pace with community growth. Consistent with that approach, the FY27 notable items presented to Council included Phase 2 funding for two additional police officers at \$187,440 and one additional vehicle at \$66,500, including upfit costs. These are not abstract planning concepts; they are concrete service decisions with ongoing operating implications.

Fourth, one-time federal American Rescue Plan Act (“ARPA”) funds have now been fully exhausted. Those funds were received as part of the federal pandemic response and, in recent years, helped supplement police services, particularly salaries, while reducing pressure on the tax rate. As noted in last year’s budget message, ARPA represented approximately 16.5% of General Fund revenues in FY23, 20.3% in FY24, and 5.9% of the FY25 adopted budget. Those one-time revenues are now gone, and the General Fund must absorb those ongoing costs with recurring local revenues.

Fifth, the Town’s revenue structure is relatively limited. Property tax remains the Town’s largest and most stable recurring revenue source, while other major revenues, particularly sales tax, are more sensitive to broader economic conditions. In response, staff has used cautious revenue assumptions rather than relying on optimistic growth to close future gaps. For example, the forecast assumptions presented to Council estimate sales tax growth below CPI, hold investment earnings essentially flat in out-years, and reduce ad valorem growth assumptions because sewer capacity constraints are expected to limit future development. A future property revaluation may create another decision point for Council, but it would not be prudent to rely on the timing or effect of a future revaluation to solve the Town’s projected out-year structural gaps.

Finally, not all budget pressure comes from discretionary choices. Of the FY27 General Fund notable items presented to Council, approximately \$2.31 million were already under contract and approximately \$839,665 were required or tied to restricted funding sources. At the same time, approximately \$543,600 of General Fund notable items were not funded or were pushed into future years. That is important because it shows that staff and Council are not approaching this budget as though every requested item must be funded. It is also important to recognize that pushing some items into future years may reduce short-term pressure, but it can also result in higher costs over time.

Taken together, these factors have created a long-term mismatch between recurring revenues and the cost of maintaining current service levels.

### **Policy Choices and Recommended Approach**

Throughout the budget process, the Council was presented with multiple policy paths. Broadly speaking, those paths ranged from maintaining the current tax rate and accepting larger future

structural gaps, to adopting a more modest incremental adjustment, to adopting a larger immediate adjustment to more fully address projected out-year deficits.

Each option carries tradeoffs between current affordability, service levels, and long-term fiscal stability.

As in prior years, these decisions involve balancing two competing realities: the rising cost of providing essential services and the real impact that higher taxes have on residents and businesses. The Town Council has consistently recognized both realities throughout the budget process.

Maintaining the current tax rate would likely require future decisions such as reducing police coverage, deferring street maintenance, scaling back service levels, such as solid waste collection, relying more heavily on fund balance, or implementing larger tax adjustments in later years.

After weighing these issues, I am recommending an increase in the property tax rate from \$0.189 to \$0.209 per \$100 of assessed value. Because each one-cent change in the tax rate generates approximately \$400,000 from combined real and personal property, the proposed 2-cent adjustment would provide roughly \$800,000 in additional recurring revenue.

I do not make that recommendation lightly. Any tax adjustment has a real effect on households and businesses. At the same time, I believe it is more responsible to address these pressures in a measured and predictable manner now than to wait until future years when the Town may face larger tax increases, deeper service reductions, or greater reliance on reserves. This recommendation also does not propose instituting a solid waste fee.

This is not presented as the only available option. Rather, it reflects one path forward among the options discussed during the budget process—one intended to reduce long-term financial pressure, preserve flexibility, and avoid a more abrupt correction later.

This recommendation also reflects the Council's broader priorities identified through the annual retreat and approved action plan. It supports sustainable financial planning through continued use of the five-year forecast and Capital Improvement Plan; maintains investment in core services, particularly police and street maintenance; advances selected quality-of-life and infrastructure priorities not dependent on sewer capacity; and preserves capacity to continue pursuing longer-term priorities such as sewer alternatives, Union West Business Park, the Town Center, and positive development around the hospital/light rail area. At the same time, it recognizes that not every priority can be fully funded in a single year and therefore focuses on those items staff believes are most important to maintaining current service levels, addressing growth-related needs, and positioning the Town responsibly for the future.

## **Taxpayer Impact**

For a home valued at \$446,500, which reflects the average home value in Stallings based on the Union County revaluation, the proposed 2-cent increase would result in an estimated increase of approximately \$89.30 annually, or about \$7.44 per month. Actual impacts will vary based on individual property values.

That impact is real and should not be minimized, particularly after recent tax changes. At the same time, the purpose of this recommendation is to improve the Town's financial position gradually rather than forcing a more difficult future situation in which the Town may need to consider both sharper service reductions and larger tax increases at the same time.

### **Service Levels and Strategic Investments**

The recommended budget prioritizes core services, including police, street maintenance, solid waste collection, parks and recreation, and basic administrative capacity.

In transportation and engineering, the budget includes \$800,000 in Town-funded street maintenance, in addition to \$557,665 in Powell Bill funding, plus \$50,000 for sidewalks funded through Powell Bill. This reflects the Council's continued emphasis on preventing road deterioration rather than pushing larger costs into the future.

In police services, the budget includes the additional officers and vehicle previously noted above, along with several replacement, technology, and operational items tied to long-term police services.

The budget also includes selected investments aligned with Council priorities and the Town's long-term needs. These include \$150,000 for Town Center streetscape preliminary engineering and design, \$500,000 toward sidewalk/greenway CRTPO projects, \$500,000 for the splash pad chemical building needed for compliance, \$100,000 for replacement and upgrade of the Government Center audio/video system to address reliability issues affecting recordings, lobby audio, and remote viewing of meetings, and a Town infrastructure needs assessment to help the Town respond to growth in a more deliberate and organized manner. The budget also includes additional administrative capacity where needed to help staff respond to workload, front desk coverage, and Council-directed process changes.

At the same time, not every requested item is funded. As noted above, some items were not funded or were moved into future years in order to limit current-year costs.

### **Fund Balance and Financial Stewardship**

The Town's fund balance remains an important strength, and this recommendation continues to use it in a disciplined way. Consistent with Town policy and sound financial practice, fund balance is recommended for one-time, nonrecurring, capital, or restricted purposes rather than ongoing operations.

The no-tax-increase scenario helps show why that discipline matters. Even though the Town's 34% fund balance policy minimum is still maintained within the current-rate forecast, estimated available fund balance declines materially over time—from approximately \$16.2 million in FY26-27 to approximately \$7.3 million by FY30-31. That does not mean the Town immediately falls below policy; it does mean the Town's flexibility narrows significantly. Waiting too long to respond increases the likelihood that a future Council could face a much more difficult situation requiring both larger tax increases and more significant service reductions.

This recommendation also continues the Town's effort to improve transparency in capital planning. Beginning in FY27, non-routine capital items are more clearly separated through the new General Fund Capital Projects Fund. That distinction helps differentiate recurring operating costs from one-time capital investments and supports better long-term planning.

### **Stormwater Fund**

Separate from the General Fund, the recommended Stormwater Fund budget remains balanced and does not propose a stormwater fee increase.

The recommended Stormwater Fund budget continues to fund core stormwater needs, including \$333,440 for stormwater repairs, \$70,000 for annual maintenance, \$20,000 for street sweeping, \$20,000 for MS4 permit assistance, \$12,000 for collection fees, and \$10,000 for equipment. This recommendation also continues the Town's effort to perform more stormwater work in-house where it is cost-effective.

As discussed in last year's budget message, the prior stormwater fee adjustment helped stabilize the fund, and the Town's efforts to perform more work internally have produced meaningful savings. This FY27 recommendation continues building on that approach rather than recommending an additional stormwater fee increase at this time.

### **Looking Ahead**

Even with this recommendation, the Town's long-term financial outlook will continue to require careful planning and difficult decisions. Stallings is a largely residential town based on its development pattern and longstanding community preferences. At the same time, that pattern means the Town must continue working to strengthen and diversify its tax base over time so future service demands do not fall too heavily on residential taxpayers alone.

In that respect, the Council's priorities related to sustainable financial strategy, wastewater solutions, economic development opportunities, Town identity, the Town Center, Union West Business Park, and positive development around the hospital/light rail area are not separate from the Town's financial health. They are directly connected to the Town's long-term sustainability and its ability to maintain service levels in a fiscally responsible manner over a longer time horizon.

### **Acknowledgments**

I want to sincerely thank the Mayor and Town Council for your leadership, engagement, and time throughout this demanding process. These are not easy decisions. They involve real tradeoffs, and no single option fully eliminates every concern. I appreciate the Council's willingness to study the issues carefully, evaluate alternatives, and consider both the Town's long-term financial needs and the real impact these decisions have on residents.

I also want to thank all Town staff for their diligence, professionalism, and hard work in preparing this budget. Staff across departments worked to identify needs, refine requests, and make thoughtful recommendations intended to preserve high-quality services while remaining mindful of cost. I want to especially recognize Finance Officer Jessie Williams for her extensive work on the budget, forecasts, supporting materials, and financial analysis that helped make this recommendation possible.

Finally, I want to thank the residents of Stallings. Your engagement, feedback, and continued investment in the community remain essential to the Town's success.

### **Conclusion**

The recommended FY27 budget is balanced, transparent, and aligned with the priorities established by the Town Council. It reflects one approach to addressing the Town's current and projected financial conditions while maintaining core services and advancing Council-identified goals.

Ultimately, decisions regarding the tax rate, service levels, and resource allocation rest with the Town Council. Staff stands ready to provide any additional information, analysis, or alternative scenarios needed to support your deliberations and will implement the direction provided.

I respectfully submit this budget for your consideration and look forward to your guidance in the weeks ahead.

Respectfully submitted,

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