



## **City Manager's Budget Message**

May 30<sup>th</sup>, 2025

The Honorable Steven Little, Mayor  
Members of the City Council  
And Residents of Marion, NC

### **To the Honorable Mayor and City Council, and residents of the City of Marion:**

In accordance with the General Statutes of North Carolina, I respectfully submit for your review and consideration the proposed budget for the City of Marion for Fiscal Year 2025-26. A copy of this budget is available for public inspection at City Hall. The budget is composed of four funds, including the General Fund, Water and Sewer Fund, Internal Service Fund, and System Development Fee Capital Reserve Fund. The City also maintains project funds for multi-year capital and grant projects. These funds are budgeted on a project basis and are not included as part of the annual budget.

The total budget for all funds is \$19,719,200, which represents a 7.1 percent increase (or \$1,302,590) over the original 2024-25 Fiscal Year Budget, and a decrease of 1.9 percent (or \$382,825) over the amended 2024-25 Fiscal Year Budget of \$20,102,025 as of this date. This increase over the original 2024-25 budget is primarily due to investments in equipment and capital projects, the continuing rising costs of fuel, supplies and materials and insurance, and pay adjustments for City employees to allow for recruitment and retention of staff. Also, investments in economic development with the City's contribution to the Marriott project. The decrease is due to the 2024-2025 amended budget including those costs associated with the Helene disaster.

The proposed budget figures are broken down into the following allocations:

General Fund	\$12,777,054
Water & Sewer Fund	\$ 6,362,703
Internal Service Fund	\$ 539,443
System Development Fee Capital Reserve Fund	\$ 40,000
<b>Total All Funds</b>	<b>\$19,719,200</b>



In this budget, the staff and I have attempted to meet the budgetary goals that the City Council has had in place for many years. These goals are:

- Continue to provide quality and cost-effective services to the citizens of Marion.
- Keep property taxes as low as possible, while still providing the full range of City services.
- Minimize the impact of increases to water and sewer rates and connection fees while ensuring the financial stability of the Water and Sewer Fund.
- Stress improvements to City infrastructure, particularly water, sewer, streets and sidewalks.
- Continue to stress City appearance, long range planning and economic development.
- Improve the City's quality of life through continued development of mini-parks, greenways and other recreational facilities.
- Continue to keep the City's fund balance adequate for future needs.

Several components of the budget deserve more detailed attention, and are addressed as follows:

## **REVENUES:**

For Fiscal Year 2025-26, the City's property tax base is expected to remain relatively stable. In last fiscal year's budget, Council voted to increase the tax rate by \$.045 cents to a rate of \$.595 per \$100 valuation. The proposed budget for 2025-2026 includes no tax rate increase, and is based on a tax collection percentage of 98% due to diligent tax collections by the City.

An analysis of state-collected taxes distribution by the NC Department of Revenue shows a leveling off of sales and use tax, and a decline in many other state-shared revenues. The North Carolina League of Municipalities has projected a 2.8% year over year increase in sales and use tax. Growth in sales tax revenues continues to slow. Inflation plays a key role in sales and use tax revenue. While inflation is slowing since its peak in 2022, it still remains higher than the Federal Reserve's target rate. This budget projects the City's sales tax distribution in Fiscal Year 2025-26 to be 2.0 percent higher than the projected distribution for Fiscal Year 2024-25, so there is hope that the sales



tax revenue estimates projected for 2025-26 are conservative and that actual sales tax collections will exceed the estimate.

State Street-Aid (Powell Bill) funds are appropriated by the General Assembly, and have not yet been finalized for FY 25-26. However, Powell Bills Funds along with other State revenues such as Electricity Sales Tax, Piped Natural Gas Sales Tax, Telecommunication Sales Tax, Local Video Programming Sales Tax, Solid Waste Disposal Tax, and Alcohol Beverage Tax revenues have all been kept at the same level as the 2024-2025 fiscal year.

County fire protection revenues are budgeted at \$1,072,967, an increase of \$88,606, or 9.0 percent, over the 2024-25 original budget.

The budget recommends a \$2 per month increase in the monthly residential garbage fee from \$12 per month to \$14 per month. The City of Marion Public Works Department provides weekly back yard residential garbage collection to City of Marion residents. Only 4.5 percent of municipalities in North Carolina still provide back yard collection. Residential garbage is collected four days a week, Tuesday through Friday. According to a 2020 report prepared by the NCDEQ, the average annual household fee for combined solid waste and recycling services was \$172 in 2018-2019. The City's rate will be \$168, well below the current statewide average. In addition, this budget recommends a five percent increase in commercial garbage rates. After both of these increases, approximately \$242,906 of costs for sanitation services will still be funded through other general revenues such as property tax, sales tax, utility sales tax, etc. A \$2 per month increase in residential garbage rates and a five percent increase in commercial garbage rates will generate approximately \$80,000 annually to help cover the cost of sanitation services.

Slight fee schedule changes for the Planning and Development Department are included in the budget. These fees are evaluated annually against like communities within our region and McDowell County. The proposed building code fee changes fall slightly below McDowell County but are in range with other communities based on their 2024-2025 current rates. A 5% technology fee was added to help offset software costs. Code enforcement administrative fees increased doubled based on administrative and legal costs associated with cases requiring abatement. Also, increases in cemetery & annexation request fees.

A 3% increase in water rates and a 25% increase in sewer rates, service charges and minimum charges, is proposed for 2025-26. The rate increase will produce an estimated \$676,116 more in revenue than what was budgeted in 2024-25. As part of this rate increase the City will also be instituting an increasing block structure for water and sewer usages greater than 200,000 gallons.

The City completed a Wastewater Asset Inventory and Assessment Study in 2024-2025 and a Water Asset Inventory and Assessment Study in 2021-22. These studies assessed the condition of the City's current infrastructure and established Water and Wastewater Capital Improvement Plans listing priority projects that need to be considered over the next 10 years. In addition, the City recently also completed a Clinchfield Pump Station Basin and System-wide Flow Monitoring and Inflow and



Infiltration Analysis to identify areas within the wastewater collection system that need repairs. While the City hopes to qualify for grants to fund a portion of the capital needs that are identified, the City will need to finance many of these costs with either cash on hand or long-term financing.

The recently completed Wastewater Asset Inventory and Assessment (AIA) Study recommended a 3% increase in water rates for 2025-2026, and a 66.7% increase in sewer rates for 2025-2026. That is the reason for the higher increase in sewer rates versus water rates. The City wants to be proactive and make sound financial decisions when it comes to setting water and sewer rates. The long term needs of the water and wastewater system as a whole, the financing of these future projects, and significant unexpected expenses that were incurred during the past fiscal years lead staff to recommend the 3% increase in water rates and a 25% increase in sewer rates. The Wastewater AIA Study identified \$43 million in projects over the next 10 years needed at the WWTP, and \$48 million in projects for the collection system. When deciding on rates the City had to factor in the improvements needed in the sewer system.

In the proposed budget, there is no budgeted transfer from the General Fund to the Water and Sewer Fund for the sixteenth year in a row, meaning that the Water and Sewer Fund remains self-sustaining.

ABC revenues are forecasted to be \$350,000 in 2025-26, which represents no change from the estimated 2024-25 ABC revenue distribution. These revenues are designated for beautification, parks and recreation, downtown/economic development and donations to outside agencies, as shown below in the Expenditure section.

Interest income from investments in all funds is projected to be \$300,000 in 2025-26, a substantial increase in budgeted interest income in all funds for 2024-25, due to rising interest rates on investments and greater investment of idle funds.

The General Fund will require a fund balance appropriation of \$1,002,354, an increase of \$539,612 over the General Fund Balance appropriation amount included in the 2024-25 original budget. It is expected that the City will experience a small surplus in the General Fund in Fiscal Year 2024-25, as has been the case in recent years. However, it is important that the City maintain an adequate fund balance available for appropriation (available fund balance as a percent of total expenditures), which was 55.87 percent as of June 30, 2024, up considerably from the 43.21 percent fund balance available for appropriation as of June 30, 2023. The North Carolina Local Government Commission (LGC) uses fund balance available for appropriation as an indicator of fiscal health and compares the City to its peers in this assessment. The City maintains an available fund balance comparable to identified peer cities in Western North Carolina, but the City's available fund balance percentage is considered lower than the group average (non-electric cities 5,000 – 9,999 population) calculated by the North Carolina Local Government Commission. The fund balance percentage is expected to drop in 2025-2026 budget year, but should still be above the threshold required by the LGC.



In the Water and Sewer Fund, a fund balance appropriation of \$294,883 is projected as compared to the original budgeted 2024-25 Water and Sewer Fund Balance appropriation of \$450,592. While Water and Sewer Fund reserves have been rebuilt to an acceptable level in recent years, the amount of Water and Sewer Fund Balance appropriations will have to be closely monitored, to make sure that the Water and Sewer Fund Balance remains adequate to cover operating expenses and debt service. This decrease in fund balance appropriated with the propose increase to water and sewer rates is a step toward greater financial stability.

Revenues and expenditures within the Internal Service Fund are projected to be \$1,881 higher in 2025-26 than the original 2024-25 budget amount of \$537,562. This increase is due to the cost of living increase and associated payroll costs.

As noted earlier, this budget does not include any transfer from the General Fund to the Water and Sewer Fund, nor transfers from the Water and Sewer Fund to the General Fund. No transfer is proposed from the General Fund to the General Capital Reserve Fund or from the Water and Sewer Fund to the Water and Sewer Capital Reserve Fund. As required by State law, System Development Fees are receipted into the System Development Fee Capital Reserve Fund and are then transferred to the Water and Sewer Fund for eligible expenditures. Street improvements, as previously approved by the City Council, will be pursued during the 2025-26 Fiscal Year, using the Street Improvements Capital Project Fund and any other funding designated for street improvements from Powell Bill funds and other approved sources.

## **EXPENDITURES:**

This budget contains recommended funding for day-to-day operating expenses and for one-time capital expenses. Major operating and capital related expenditures are as follows:

### **Capital Outlay/Projects**

#### **General Fund**

- Funding for the City of Marion's third LFNC Fellow, \$20,000
- Funding for a New Pumper Tanker, \$457,403
- Purchase of a UTV Skid Unit for Fire Dept's UTV, \$9,500
- Purchase of a Heavy Duty Scanner, \$12,000
- Purchase of mower to replace #604, \$17,250
- Funding for a half-ton truck for Street Department, \$49,500
- Funding for knuckle boom truck for Sanitation, \$206,700
- Purchase of salt-spreader for one-ton truck, \$7,000



- Replace bridge on Round Hill Loop Greenway \$9,295
- Funding for patrol vehicle, \$65,000
- Funding for unmarked investigations vehicle, \$53,000
- Purchase of Cellbrite Cellular Software for PD, \$17,000
- Purchase of a New Phone System for PD, \$35,000

### **Water and Sewer Fund**

- Funding for a Dump Truck for Utility Maintenance Division to replace #105, \$157,118
- Funding for a Half Ton Truck for Utility Maintenance Division to replace #216, \$49,500
- Funding for a Sewer Jetter to replace # 152, \$129,60
- Purchase of Wet Well Pump for PRP Lift Station, \$22,000
- Funding for pump repair for Catawba Lift Station, \$13,800
- Purchase of two chlorine regulators, \$8,800
- Purchase of two combination PH/Chlorine monitors, \$14,339
- Purchase of laboratory charge analyzer, \$20,118
- Purchase of actuator valve, \$6,793
- Purchase of raw water flow meter, \$5,298
- Purchase of rescue tripod, \$5,298
- Purchase of safety cabinet, \$3,300
- Funding for repair and upgrade of two aerators in aeration basin #2, \$86,920
- Funding for water main extension to headworks of WWTP, \$82,577
- Purchase of progressive cavity pump, \$16,500
- Funding for a half-ton truck for WWTP to replace #241, \$52,000
- Purchase of Mission SCADA Unit for effluent station, \$6,096
- Purchase of two doors for Polaris UTV #279 for the Wastewater Treatment Plant, \$3,300
- Purchase of siding for metal storage shed at WWTP, \$3,850

### **Personnel/Administration**

- A 2.0 percent cost of living increase for all City employees, and a 3.0 percent market increase for Public Work staff that will allow the City to improve employee recruitment and retention, effective 7/1/2025.
- Hiring of a Fire Inspector in January of 2026, hiring of an Evidence Technician for the Police Department, and a funding coordinator for grants.
- Cost increases for health, dental, vision, and life insurance – 5% increase on medical rates
- Increases in employer contributions to the Local Government Employees Retirement System. General Employees Rate increased 0.75%, and the Law Enforcement Rate increased 1.04%.
- Increase in Worker's Compensation Insurance costs of \$58,000.



## **Debt Service**

- Payments on the Airport Road Sewer Extension loan, \$55,332
- Payments on Police Department vehicle loans, \$94,344
- Payments on the Fire pumper-tanker trucks and tower truck loans, \$207,285
- Payments on the Wastewater Improvements Project loan, \$62,448
- Payments on Public Works Department Street Division vehicle loans, \$168,152
- Payments on Public Works Department Sanitation Division vehicle loans, \$161,004
- Payments on Planning and Development Services Department vehicle loans, \$12,407
- Payments on the USDA Stormwater Loan, \$23,863
- Payments on various Utility Line Maintenance vehicle and equipment loans, \$189,559
- Payments on various Water Treatment Plant vehicle and equipment loans, \$6,895
- Payments on various Wastewater Treatment Plant vehicle and equipment loans, \$19,931
- Payments on PW Building, \$34,634
- Payments on the NCDEQ-Lead & Copper - \$39,664

## **Contracted Services/Operational Expenses**

- Contracted services for water/sewer line extensions and repairs, \$250,000
- Purchase of City warehouse stock for resale to City departments, \$450,000
- Cemetery mowing, \$55,900
- Landscaping contract and street right-of-way mowing contract, \$104,520
- County landfill tipping fees, \$180,000
- Audit services, \$32,125

## **Downtown and Economic Development/Outside Agency Funding/Special Projects**

- Funding for Marriott Hotel Project, \$166,000
- Purchase of fireworks for the annual July 4<sup>th</sup> Celebration, \$11,050
- Funding for Downtown/Economic Development/Events and Promotions, \$122,118
- Funding for the Historic Marion Façade Grant Program, \$24,000
- Funding for the Growing Entrepreneurs Marion (GEM) Class Grant Program, \$7,500
- Funding for other local agencies, \$21,000
- Marketing, \$30,000



As mentioned above in the Revenue section, expenditures in the amount equal to \$350,000 in projected ABC revenues are designated for the following programs:

Parks and Recreation	\$ 138,920
Beautification/Landscape Maintenance	36,462
Downtown/Economic Development	153,618
Various Community Agencies	<u>21,000</u>
 Total	 <u>\$ 350,000</u>

Total capital outlay in all funds in the proposed 2025-26 budget is decreased by 13.2 percent, or \$287,608, above the 2024-25 original budget, with General Fund capital outlay decreasing by 14.1 percent and Water and Sewer Fund capital outlay decreasing by 11.7%

The City will continue to complete Helene projects, and request reimbursements for these expenses. The largest outstanding project currently is the City's water intakes project.

### **CONCLUSION:**

The preparation of this budget has been with the knowledge of relatively slow growing, but still uncertain, state and local economies. As a result, conservative estimates for property tax and sales tax revenues are included in the proposed 2025-26 Budget. The hope is that the economy will continue to improve and that economic growth seen locally in recent years can continue.

The budget is designed to continue City operations, while making targeted investments in equipment, capital projects and the City's workforce, while serving growth occurring in the City.



An attempt has been made to budget for revenues and expenditures very conservatively, while allowing for unexpected changes in the payment of revenues or for unexpected expenditures. City staff understands that budgeted funds will only be spent on needs. Any items that are not deemed to be necessary will not be pursued this Fiscal Year and expenditures, particularly involving capital outlay purchases, can be cut during the Fiscal Year if revenues are not collected as projected.

I wish to express my appreciation to City department heads for their support and assistance in the preparation of this budget and for submitting reasonable and justifiable budget requests. A debt of gratitude is especially owed to Finance Director Crystal Young, CPA and Human Resources Director Kathleen Nolan for their hard work on this budget, evaluating many budget alternatives and spending a great deal of time on many individual aspects of the budget, including the City's 2025-26 health insurance renewal and estimating the City's property and sales tax revenues for 2025-26, managing numerous grant and capital projects, rate projections, and looking at various revenue sources. The final budget ended up being much more positive than expected, in large part to the efforts of Mrs. Young and Mrs. Nolan.

We look forward to review of this document by you and the public. We are prepared to make adjustment as the Mayor and City Council deem appropriate.

The following schedule is proposed for your consideration of the proposed budget:

Tuesday, June 17 <sup>th</sup> , 2025	Public Hearing on Budget
	Adoption of Budget

Respectfully Submitted,

Woody Ayers  
City Manager