Town of Woodfin
Town Council Budget Work Session

Tuesday March 10, 2026
3:00 P.M.

WORK SESSION AGENDA

The public is invited to attend this meeting in person or view this meeting on YouTube Live: https://www.youtube.com/channel/UCv81LNHe8tyBLiG13JIsufw/ . All documents related to agenda items not published on the website may be viewed in advance of the meetings in person at Town Hall, 90 Elk Mountain Rd, Woodfin.

A. Meeting Call to Order

B. Approval of the Agenda

C. New Business
   1. Presentation and discussion regarding FY2026 budget matters. (Presenter: Sheri Powers and Shannon Tuch)
      a. Budget process overview – Sheri Powers
      b. Five-year financial forecast – Sheri Powers
      c. Fund Balance & Debt – Sheri Powers
      d. Community Grant Program – Shannon Tuch

D. Adjournment

Staff Report

Department:	Administration
Staff contact:	Sheri Powers, Finance and Budget Director
Agenda title:	FY2027 Budget Work Session
Requested action:	Discussion of 5-year Financial Forecast, Fund Balance & Debt, Town Hall Project, and Community Grant Program

SUMMARY

This work session is part of the FY2027 budget process described during the Town Council's January 29th, 2026, planning retreat and is outlined on the second page of this report. The purpose of this meeting as we kick off the Town's annual budget process is to consider a five-year outlook for financial sources and uses of funds to maintain Town core operations at their current levels. The forecast is intended to provide a basis for multiple budget decisions that will come before the Council in May and June. The forecast is predicated on several assumptions that we will review and discuss together during the work session and does not include any budget expansion, capital, or new programs or services.

This financial forecast is an exercise we will use to identify financial trends and as a starting point in the budget process, will help identify how much the Town's projected revenue will exceed projected expenditures or the amount we should have available to fund capital, and other expansion items or services.

One key responsibility as a Town Council member is setting the property tax rate each year. We will discuss Woodfin's property tax process and the County's estimated ad valorem re-assessment amounts for the next fiscal year as well as the revenue neutral calculation.

We will review the Town's General Fund Balance and discuss why a healthy fund balance is important to the budget process and planning for future expenditures. An overview of future major capital acquisitions and improvements is related to the forecast and will be discussed in detail at the April budget work session.

Staff will also provide an update on Woodfin's Community Grant Program.

BUDGET IMPACT

Potential budget impact to be determined before budget adoption. I have attached my preliminary calculations used in the five-year projections and in calculating the property tax revenue neutral rate for your review. It is very early in the budget process these calculations are strictly an estimate and will likely change somewhat as we move forward.

PROCESS AND TIMELINE

This work session and others that follow are reflected on the attached budget calendar. This discussion will help inform staff in establishing the Town's FY2027 recommended budget, which will be provided to the Council for consideration at the May 19, 2026, meeting.

STAFF RECOMMENDATION

This report is informational only. There are no staff recommendations at this time.

Town of Woodfin Fiscal Year 2026-2027 Budget Calendar

March '26

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

April '26

S	M	T	W	T	F	S
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26	27	28	29	30		

May '26

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24	25	26	27	28	29	30

June '26

S	M	T	W	T	F	S
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14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

Date	Time	Topic
March 2	5:00 PM	Dept budget requests due
March 10	3:00 PM	TC work session:
		5-year Financial Forecast
		Fund Balance & Debt
		Community Grant Program
March 17	5:00 PM	TC regular meeting
April 14	11:30 AM	TC work session:
		Capital improvements
		Woodfin Blueway/Greenway
		Town Hall Project
April 21	5:00 PM	TC regular meeting
May 5	11:30 AM	TC work session:
		Expansion budget
		Fee schedule/ Tax Rate
		Staffing/Pay Plan/COLA
May 19	5:00 PM	TC regular meeting:
		Recommended budget
		Schedule public hearing
June 2	3:00 PM	TC work session: (Tentative)
		Open discussion, as needed
June 16	5:00 PM	TC regular meeting:
		Public hearing
NLT June 30		TC adopts FY2027 budget

FY2026 Five Year Financial Forcast

Function	Account	Account Description	2022 Actuals	2023 Actuals	2024 Actuals	2025 Actuals	2026 Projection	2027 Projection	2028 Projection	2029 Projection	2030 Projection	2031 Projection
Revenue			1	1	1	1	1	REVALUATION				
301000	301000	Ad valorem taxes	3,701,337	3,878,528	4,062,936	4,260,610	4,336,568	**5,004,229**	**5,154,356**	**5,308,986**	**5,468,256**	**5,632,310**
301002	301002	Ad valorem taxes - DMV	225,288	241,427	271,389	305,488	344,107	**354,430**	**365,070**	**376,022**	**387,310**	**398,930**
311000	311000	Local option sales & use tax	1,544,838	1,940,048	2,012,933	1,997,993	2,097,028	**2,159,939**	**2,224,737**	**2,291,480**	**2,360,224**	**2,431,031**
312000	312000	Solid waste disposal fee	6,148	6,241	6,257	6,209	6,186	**6,223**	**6,219**	**6,209**	**6,209**	**6,215**
321000	321000	Utilities franchise tax	361,666	405,063	429,878	472,613	421,821	**434,476**	**447,520**	**460,946**	**474,780**	**489,030**
322000	322000	Beer & wine tax	31,580	36,177	38,785	32,170	31,407	**34,635**	**34,249**	**33,115**	**33,352**	**33,838**
327000	327000	ABC Distribution	60,000	60,000	85,000	80,000	80,000	**80,000**	**80,000**	**100,000**	**100,000**	**100,000**
343000	343000	Powell Bill	233,957	235,098	254,503	279,714	273,663	**273,663**	**273,663**	**273,663**	**273,663**	**273,663**
347000	347000	Unauthorized substance	7,720	-	-	5,328	690	**1,505**	**1,881**	**2,351**	**1,607**	**1,836**
348000	348000	Distribution from ABC - Law Enfor	6,885	6,885	6,000	6,000	6,000	**6,000**	**6,000**	**6,000**	**6,000**	**6,000**
349000	349000	Grant	-	54,876	3,892	1,051,081	2,508,533	**-**	**-**	**-**	**-**	**-**
351000	351000	Court costs & fees	592	308	298	315	676	**399**	**422**	**453**	**488**	**441**
352000	352000	Impound fee	4,559	6,401	2,678	2,919	2,642	**3,660**	**2,975**	**3,049**	**3,081**	**3,191**
355000	355000	Zoning permits	31,207	47,010	62,011	41,647	45,003	**48,918**	**49,395**	**46,241**	**47,389**	**47,986**
361000	361000	Rental income - other	23,778	27,749	22,128	31,577	26,674	**29,126**	**34,875**	**40,000**	**44,925**	**42,463**
370011	370011	Proceeds from Installment Loan		418,930		1,103,776	400,072		**-**	**-**	**-**	**-**
371000	371000	Interest on investments	-	191,013	370,247	369,286	259,875	**267,000**	**186,900**	**168,210**	**151,389**	**136,250**
380100	380100	Miscellaneous	7,202	27,518	21,306	10,461	18,320	**14,656**	**15,096**	**15,549**	**16,015**	**16,496**
380300	380300	Donations	23,314	3,315	3,620	1,255	1,200	**2,258**	**1,729**	**1,993**	**1,861**	**1,927**
382000	382000	Sale of recyclables	7,910	889	656	936	509	**699**	**604**	**651**	**628**	**639**
383000	383000	Sales of fixed assets	1,083	39,194	2,567	34,136	2,275	**17,275**	**2,500**	**15,000**	**2,500**	**15,000**
388000	388000	Lease Liability Issued	241,378	617,547	-	290,651		**Not included for this analysis. Equal non cash revenue and expense posted**				
399000	399000	Fund Balance Appropriation	31,610			-	15,807					
		TOTAL GENERAL FUND REVENUE	**6,552,652**	**7,825,287**	**7,657,085**	**10,384,165**	**10,879,057**	**8,739,090**	**8,888,190**	**9,149,918**	**9,379,676**	**9,637,245**
Expenditures												
Administration												
420000	100	Salaries And Wages	323,189	382,819	406,195	419,825	465,231	**475,413**	**489,676**	**504,366**	**519,497**	**535,082**
420000	102	Alderman Compensation	17,000	18,000	37,800	54,000	51,000	**54,000**	**54,000**	**54,000**	**54,000**	**54,000**
420000	105	Overtime	2,146	1,242	3,297	4,000	2,986	**4,120**	**4,244**	**4,371**	**4,502**	**4,637**
42000	106	Excellence in Service			1,800	10,000	10,000	**10,000**	**10,300**	**10,609**	**10,927**	**11,255**
420000	220	F.I.C.A. Tax	25,994	29,903	33,376	37,319	40,485	**41,580**	**42,704**	**43,861**	**45,053**	**46,281**
420000	230	Group Health Insurance	43,504	40,468	42,184	37,251	18,270	**58,763**	**61,701**	**64,786**	**68,025**	**71,426**

420000	240	Retirement - Local Government	36,626	46,287	52,851	59,000	67,189	**67,751**	**70,462**	**73,280**	**76,211**	**79,260**
420000	250	Workman'S Compensation Insur.	7,977	4,571	6,226	6,849	6,848	**7,942**	**8,736**	**9,609**	**10,570**	**11,627**
420000	255	Unemployment Insurance	1,799	919	917	2,020	1,836	**2,020**	**2,222**	**2,444**	**2,688**	**2,957**
420000	260	401(K) Contributions	21,009	26,952	31,645	34,706	37,457	**38,363**	**39,514**	**40,699**	**41,920**	**43,178**
420000	305	Professional Services	65,283	63,294	58,957	91,282	98,891	**101,858**	**104,913**	**108,061**	**111,302**	**114,642**
420000	310	Telephone	7,639	5,109	4,761	7,400	3,276	**5,137**	**5,393**	**5,663**	**5,946**	**6,244**
420000	311	Postage	3,944	3,813	3,427	6,707	5,514	**5,679**	**5,963**	**6,261**	**6,574**	**6,903**
420000	312	Printing	5,203	5,985	4,431	5,460	5,092	**5,347**	**5,614**	**5,895**	**6,190**	**6,499**
420000	326	Advertising	7,589	2,176	102	7,500	3,250	**3,575**	**3,933**	**4,326**	**4,758**	**5,234**
420000	330	Utilities - Heat, Light, Water	11,538	12,175	12,687	15,946	10,994	**11,324**	**11,663**	**12,013**	**12,374**	**12,745**
420000	333	Departmental Supplies	31,320	20,997	22,204	31,445	25,191	**26,451**	**32,886**	**34,530**	**36,256**	**38,069**
420000	338	Website And Computer	8,788	18,116	30,067	33,000	40,246	**41,454**	**42,697**	**43,978**	**45,297**	**46,656**
420000	340	Travel And Training	3,077	2,497	13,050	10,000	9,435	**9,712**	**10,003**	**10,303**	**10,613**	**10,931**
420000	400	Janitorial Service - Town Hall	11,348	7,462	6,250	8,500	7,375	**7,744**	**8,131**	**8,537**	**8,964**	**9,413**
420000	450	Maint. To Building & Grounds	19,371	8,899	20,970	17,758	23,097	**17,681**	**19,877**	**19,603**	**20,064**	**19,306**
420000	500	Engineering Services/Studies Cont	-	14,360	128,793		-					
420000	530	Dues & Subscriptions	20,834	24,236	16,776	21,700	20,105	**22,115**	**24,327**	**26,759**	**29,435**	**32,379**
420000	540	Insurance & Bonds - Liability	10,306	16,368	10,264	15,538	14,709	**17,092**	**18,801**	**20,681**	**22,749**	**25,024**
420000	550	Election Expense	30,968	-	29,278		33,095	**-**	**35,000**	**-**	**35,000**	**-**
420000	570	Miscellaneous Expense	5,835	6,707	6,380	7,500	3,777	**3,966**	**4,164**	**4,372**	**4,591**	**4,820**
420000	740	Capital Outlay	39,709	-	33,991	600,000	-	**-**	**-**	**-**	**-**	**-**
420000	742	Non-Capital Outlay	25,107		-	5,000	17,000	**17,850**	**18,743**	**19,680**	**20,664**	**21,697**
420000	745	Community Program	-	34,505	27,573	83,500	71,000	**83,500**	**83,500**	**83,500**	**83,500**	**83,500**
Total		**Administration**	**787,103**	**797,859**	**1,046,254**	**1,633,206**	**1,093,349**	**1,140,434**	**1,219,163**	**1,222,188**	**1,297,672**	**1,303,764**
460000	575	Tax Collection Fees	74,063	77,571	81,279	82,463	86,731	**107,173**	**110,389**	**113,700**	**117,111**	**120,625**
460000	576	Debt Service (TIF)	313,278	302,838	312,083	312,083	318,510	**318,510**	**333,281**	**339,379**	**342,313**	**342,962**
Total		**Non-departmental**	**387,341**	**380,409**	**393,362**	**394,546**	**405,241**	**425,683**	**443,670**	**453,079**	**459,424**	**463,587**
Planning & Zoning												
490000	100	Salaries And Wages	131,747	112,277	146,206	154,942	159,656	**164,058**	**168,980**	**174,050**	**179,271**	**184,649**
490000	105	Overtime	544	635	1,899	3,600	2,500	**2,575**	**2,652**	**2,732**	**2,814**	**2,898**
490000	220	F.I.C.A. Tax	10,191	8,094	10,471	12,128	12,405	**12,747**	**13,130**	**13,524**	**13,929**	**14,347**
490000	230	Group Health Insurance	15,991	16,392	21,416	18,391	24,164	**25,950**	**27,247**	**28,610**	**30,040**	**31,542**
490000	240	Retirement - Local Government	15,005	13,499	18,981	21,562	23,269	**24,773**	**26,111**	**26,894**	**27,701**	**28,532**
490000	250	Workers Compensation		2,286	1,943	2,492	2,200	**2,492**	**2,617**	**2,747**	**2,885**	**3,029**

490000	260	401(K) Contributions	8,442	3,679	11,817	12,683	12,972	**13,331**	**13,731**	**14,143**	**14,567**	**15,004**
490000	305	Professional Services	99,916	168,880	88,644	280,000	226,000	**80,000**	**82,400**	**84,872**	**87,418**	**90,041**
490000	310	Telephone	1,354	1,196	2,247	2,285	920	**966**	**1,015**	**1,065**	**1,119**	**1,175**
490000	311	Postage		35	1,005	2,500	1,000	**1,050**	**1,103**	**1,158**	**1,216**	**1,276**
490000	326	Advertising	2,175	4,018	3,121	7,500	2,596	**3,225**	**3,430**	**3,601**	**3,781**	**3,970**
420000	331	Vehicle Supplies - Gas, Oil	1,041	420	430	1,800	1,006	**1,250**	**1,313**	**1,378**	**1,447**	**1,519**
490000	333	Departmental Supplies	7,687	5,138	685	7,500	5,848	**6,140**	**6,447**	**6,770**	**7,108**	**7,464**
490000	338	Website and Computers	2,400	19,188	15,943	20,270	18,155	**18,699**	**19,260**	**19,838**	**20,433**	**21,046**
490000	340	Travel and Training	2,789	2,458	5,889	5,000	5,000	**5,500**	**6,050**	**6,655**	**7,321**	**8,053**
490000	420	Maint. & Rep Vehicles	792	78	119	500	500	**515**	**530**	**546**	**563**	**580**
490000	530	Dues & Subscriptions	481	5,794	6,540	7,079	5,217	**5,477**	**5,751**	**6,039**	**6,341**	**6,658**
490000	540	Insurance & Bonds - Liability	2,601	2,080	4,503	4,291	4,084	**4,492**	**4,942**	**5,436**	**5,979**	**6,577**
490000	740	Capital Outlay	22,517							-	-	-
Total		**Planning & Zoning**	**325,673**	**366,147**	**341,859**	**564,523**	**507,492**	**373,242**	**386,708**	**400,057**	**413,933**	**428,361**
Police												
510000	100	Salaries And Wages	964,075	987,573	1,073,002	1,390,095	1,618,503	**1,579,621**	**1,627,009**	**1,675,819**	**1,726,094**	**1,777,877**
510000	101	Auxilliary Police Pay	2,420	9,855	2,460	5,000	3,000	**5,000**	**5,150**	**5,305**	**5,464**	**5,628**
510000	105	Overtime	57,564	54,100	69,240	57,180	45,430	**46,793**	**48,197**	**49,643**	**51,132**	**52,666**
510000	120	Special Separation Allowance	15,350	15,350	14,716	7,737	7,737	**7,737**	**7,737**	**7,737**	**7,737**	**7,737**
510000	220	F.I.C.A. Tax	74,726	74,631	83,008	111,308	127,520	**124,421**	**128,153**	**131,998**	**135,958**	**140,037**
510000	230	Group Health Insurance	219,500	213,801	183,253	186,978	225,700	**273,983**	**287,682**	**302,066**	**317,169**	**333,028**
510000	240	Retirement - Local Government	121,832	134,969	156,004	217,670	266,895	**268,599**	**288,271**	**296,919**	**305,827**	**315,002**
510000	250	Workman'S Compensation Insur.	23,217	18,285	20,975	31,800	31,178	**34,296**	**37,725**	**41,498**	**45,648**	**50,212**
510000	260	401(K) Contributions	69,070	75,587	86,069	115,782	133,115	**130,113**	**134,016**	**138,037**	**142,178**	**146,443**
510000	301	Contract Labor	1,926	5,940	17,930		-	**5,940**	**6,118**	**6,302**	**6,491**	**6,686**
510000	305	Professional Services	157,946	130,079	36,322	51,672	54,278	**55,906**	**57,584**	**59,311**	**61,090**	**62,923**
510000	310	Telephone	25,559	29,248	26,396	28,069	18,745	**19,682**	**20,666**	**21,700**	**22,785**	**23,924**
510000	311	Postage		-	14	500	250	**300**	**309**	**318**	**328**	**338**
510000	312	Printing	645	-	-	1,500	1,500	**1,515**	**1,560**	**1,607**	**1,655**	**1,705**
510000	331	Vehicle Supplies - Gas, Oil	66,729	59,165	56,820	63,800	59,648	**62,630**	**65,762**	**69,050**	**72,502**	**76,127**
510000	333	Departmental Supplies	47,640	53,539	60,546	65,353	65,353	**68,621**	**72,052**	**75,654**	**79,437**	**83,409**
510000	336	Uniforms	11,236	6,648	14,048	12,000	12,000	**12,360**	**12,731**	**13,113**	**13,506**	**13,911**
510000	338	Website And Computer	20,501	21,626	20,497	30,850	81,696	**84,147**	**86,672**	**89,272**	**91,950**	**94,708**
510000	340	Travel And Training	3,947	7,216	11,174	20,600	16,397	**20,600**	**21,218**	**21,855**	**22,510**	**23,185**
510000	415	Lease Vehicles	58,061	80,581	102,402	209,759	216,577	**248,652**	**276,700**	**307,128**	**276,761**	**285,063**

510000	420	Maint. & Repairs - Vehicles	29,326	31,268	33,432	25,000	24,839	**25,585**	**26,352**	**27,143**	**27,957**	**28,796**
510000	430	Maint. & Repairs - Equipment	-	1,715	-	515	500	**515**	**530**	**546**	**563**	**580**
510000	450	Maint & Repairs - Building and Grounds					15,000					
510000	530	Dues & Subscriptions	76,111	94,561	102,157	120,000	105,971	**120,000**	**123,600**	**127,308**	**131,127**	**135,061**
510000	540	Insurance & Bonds - Liability	30,357	30,344	38,854	49,518	50,553	**55,608**	**61,169**	**67,286**	**74,015**	**81,416**
510000	555	Personnel Testing	3,885	2,440	4,028	5,460	3,415	**3,517**	**3,623**	**3,732**	**3,844**	**3,959**
510000	740	Capital Outlay	241,378	246,798	24,405	72,950	-	**-**	**-**	**-**	**-**	**-**
510000	742	Non-Capital Outlay		22,764	6,040	59,192	55,845	**58,637**	**61,569**	**64,648**	**67,880**	**71,274**
Total		**Police**	**2,323,001**	**2,408,081**	**2,243,792**	**2,940,288**	**3,241,646**	**3,314,778**	**3,462,157**	**3,604,994**	**3,691,607**	**3,821,695**
Public Works: Streets and Sanitation												
541000	100	Salaries And Wages	438,998	463,385	458,174	467,616	542,404	**575,827**	**593,102**	**610,895**	**629,222**	**648,098**
541000	105	Overtime	5,422	9,715	1,083	18,713	9,517	**4,500**	**4,635**	**4,774**	**4,917**	**5,065**
541000	220	F.I.C.A. Tax	34,239	35,928	36,361	36,520	42,222	**44,395**	**45,727**	**47,099**	**48,512**	**49,967**
541000	230	Group Health Insurance	93,833	113,721	86,931	86,418	102,511	**114,183**	**119,893**	**125,887**	**132,182**	**138,791**
541000	240	Retirement - Local Government	50,141	57,096	58,974	65,754	79,201	**87,629**	**90,935**	**93,663**	**96,473**	**99,367**
541000	250	Workman'S Compensation Insur.	12,236	11,428	9,714	8,966	12,409	**13,650**	**15,015**	**16,516**	**18,168**	**19,985**
541000	260	401(K) Contributions	34,270	27,632	36,716	36,866	44,154	**46,426**	**47,819**	**49,254**	**50,731**	**52,253**
541000	301	Contract Labor			33,761	49,081	25,785	**10,500**	**10,815**	**11,139**	**11,474**	**11,818**
541000	305	Professional Services	10,366	32,990	23,737	8,843	86,331	**88,921**	**91,589**	**94,336**	**97,167**	**100,082**
541000	310	Telephone	5,843	2,906	3,465	3,223	2,677	**3,051**	**3,204**	**3,364**	**3,532**	**3,709**
541000	330	Utilities - Heat, Light, Water	13,013	9,068	8,625	7,839	9,831	**8,074**	**8,316**	**8,566**	**8,823**	**9,087**
541000	331	Vehicle Supplies - Gas, Oil	43,669	50,169	41,565	40,857	34,906	**35,953**	**37,031**	**38,142**	**39,286**	**40,465**
541000	333	Departmental Supplies	17,342	11,860	8,985	10,968	17,807	**18,697**	**19,632**	**20,614**	**21,644**	**22,727**
541000	336	Uniforms	3,624	5,524	4,535	5,459	7,196	**7,556**	**7,934**	**8,330**	**8,747**	**9,184**
541000	340	Travel And Training	4,881	129	580	129	2,273	**2,341**	**2,412**	**2,484**	**2,559**	**2,635**
541000	420	Maint. & Repairs - Vehicles	71,091	39,817	59,069	54,258	71,249	**74,811**	**78,552**	**82,479**	**86,603**	**90,933**
541000	430	Maint. & Repairs - Equipment	1,431	3,213	2,474	-	5,000	**5,000**	**5,150**	**5,305**	**5,464**	**5,628**
541000	438	Animal Control	-	-	-	-	1,000	**1,100**	**1,210**	**1,331**	**1,464**	**1,611**
541000	440	Street Lighting	58,881	49,227	71,523	73,956	75,326	**77,586**	**79,914**	**82,311**	**84,780**	**87,324**
541000	450	Maint. To Building & Grounds	40,542	10,089	15,865	32,613	44,332	46,549	48,876	51,320	53,886	56,580
541000	530	Dues & Subscriptions	432	608	794	325	500	**515**	**530**	**546**	**563**	**580**
541000	540	Insurance & Bonds - Liability	17,553	21,354	22,120	21,987	24,528	**26,981**	**29,679**	**32,647**	**35,911**	**39,502**
541000	580	Landfill Tipping Fees	92,763	85,075	85,675	87,412	131,017	**137,568**	**144,447**	**151,669**	**159,252**	**167,215**
541000	581	Debree Removal				3,197,828	3,904	**-**	**-**	**-**	**-**	**-**
541000	585	Recycling	108,186	124,044	165,311	152,029	156,337	**161,027**	**165,858**	**170,833**	**175,958**	**181,237**

541000	740	Capital Outlay	487,162	619,487	334,394	164,791	172,625	-	-	-	-	-
541000	750	Debt Service	27,913	91,944	370,183	365,175	339,231	**327,245**	**298,925**	**204,547**	**199,539**	**194,530**
Total		**Streets and Sanitation**	**1,673,831**	**1,876,410**	**1,940,615**	**1,799,797**	**2,044,272**	**1,920,086**	**1,951,198**	**1,918,052**	**1,976,856**	**2,038,373**
Powell Bill												
542000	456	Patching & Resurfacing Streets	**104,681**	**103**	**-**	**818,878**	**273,663**	**273,663**	**273,663**	**273,663**	**273,663**	**273,663**
Parks & Recreation												
620000	100	Salaries And Wages	64,803	87,097	93,418	97,227	101,303	**103,948**	**107,066**	**110,278**	**113,586**	**116,994**
620000	220	F.I.C.A. Tax	4,633	6,559	7,052	7,438	7,750	**7,952**	**8,191**	**8,436**	**8,689**	**8,950**
620000	230	Group Health Insurance	8,215	9,426	7,826	6,204	8,253	**9,563**	**10,042**	**10,544**	**11,071**	**11,624**
620000	240	Retirement - Local Government	7,203	10,510	11,960	13,223	14,537	**15,696**	**16,288**	**16,777**	**17,280**	**17,799**
620000	250	Workman'S Compensation Insur.	2,015	1,143	971	1,210	1,100	**1,210**	**1,331**	**1,464**	**1,611**	**1,772**
620000	260	401K Contribution	1,692	6,949	7,446	7,778	8,104	**8,316**	**8,565**	**8,822**	**9,087**	**9,360**
620000	305	Professional Services	320	920	23,695	79,000	32,063	**26,063**	**26,844**	**27,650**	**28,479**	**29,334**
620000	330	Utilities - Heat, Light, Water	10,230	11,898	12,741	13,403	9,621	**9,910**	**10,207**	**10,514**	**10,829**	**11,154**
620000	333	Departmental Supplies	11,062	4,149	8,782	12,000	10,000	**10,300**	**10,609**	**10,927**	**11,255**	**11,593**
620000	338	Website And Computer	53	-	-	500	500	**515**	**530**	**546**	**563**	**580**
62000	340	Travel and Training	142	542	-	1,488	1,200	**1,236**	**1,273**	**1,311**	**1,351**	**1,391**
620000	416	Lease Payments				48,000	48,000	**36,000**				
620000	450	Maint. To Building & Grounds	25,034	52,431	65,110	115,250	39,354	**60,000**	**63,000**	**66,150**	**69,458**	**72,930**
620000	530	Dues & Subscriptions	335	399	486	500	500	**515**	**530**	**546**	**563**	**580**
620000	540	Insurance & Bonds - Liability			74	1,982	4,565	**5,022**	**5,524**	**6,076**	**6,684**	**7,352**
620000	740	capital outlay		-		15,000	14,750					
620000	750	Debt Service	347,166	275,431	396,832	388,176	381,125	**374,065**	**367,025**	**359,975**	**352,925**	**335,225**
Total			**482,903**	**467,454**	**636,391**	**808,379**	**682,725**	**670,310**	**637,026**	**640,017**	**643,430**	**636,636**
Other financial sources and uses												
990000	992	Transfer out to other funds		1,017,818	1,205,525		192,572					
Total		**TOTAL EXPENDITURES**	**6,084,533**	**7,314,282**	**7,807,799**	**8,959,617**	**8,440,960**	**8,118,196**	**8,373,586**	**8,512,049**	**8,756,585**	**8,966,078**
Total		**TOTAL REVENUE**	**6,552,652**	**7,825,287**	**7,657,085**	**10,384,165**	**10,879,057**	**8,739,090**	**8,888,190**	**9,149,918**	**9,379,676**	**9,637,245**

Description	**2022 Actuals**	**2023 Actuals**	**2024 Actuals**	**2025 Actuals**	**2026 Projection**	**2027 Projection**	**2028 Projection**	**2029 Projection**	**2030 Projection**	**2031 Projection**
Revenue										

Ad Valorem Taxes	3,926,625	4,119,955	4,334,325	4,566,098	4,680,675	5,358,659	5,519,426	5,685,008	5,855,566	6,031,240
Unrestricted Intergovernmental	1,977,803	2,418,060	2,537,045	2,560,050	2,608,354	2,684,698	2,761,873	2,862,137	2,944,782	3,029,908
Restricted Intergovernmental	280,142	278,161	299,287	323,212	311,760	315,802	315,793	315,129	314,621	315,336
Permits and Fees	31,207	47,010	62,011	41,647	45,003	48,918	49,395	46,241	47,389	47,986
Sales and Services	23,778	27,749	22,128	31,577	26,674	29,126	34,875	40,000	44,925	42,463
Investment Earnings	-	191,013	370,247	369,286	259,875	267,000	186,900	168,210	151,389	136,250
Miscellaneous	63,917	86,598	32,042	1,097,869	2,530,837	34,888	19,928	33,193	21,004	34,062
Other Financing Sources and Uses	241,378	1,075,671		-	-	-	-	-	-	-
Fund Balance Appropriated		-	-	-	15,807	-				
Total Revenue	**6,544,850**	**8,244,217**	**7,657,085**	**8,989,739**	**10,478,985**	**8,739,090**	**8,888,190**	**9,149,918**	**9,379,676**	**9,637,245**
						-				
Function / Description										
Expenditures										
Administration	787,103	797,859	1,046,254	1,633,206	1,093,349	1,140,434	1,219,163	1,222,188	1,297,672	1,303,764
Non-Departmental Tax Collection	387,341	380,409	393,362	394,546	405,241	425,683	443,670	453,079	459,424	463,587
Planning and Zoning	325,673	366,147	341,859	564,523	507,492	373,242	386,708	400,057	413,933	428,361
Police	2,323,001	2,408,081	2,243,792	2,940,288	3,241,646	3,314,778	3,462,157	3,604,994	3,691,607	3,821,695
Streets	1,673,831	1,876,410	1,940,615	1,799,797	2,044,272	1,920,086	1,951,198	1,918,052	1,976,856	2,038,373
Powell Bill	104,681	103	-	818,878	273,663	273,663	273,663	273,663	273,663	273,663
Parks and Recreation	482,903	467,454	636,391	808,379	682,725	670,310	637,026	640,017	643,430	636,636
Other Financing Sources and Uses	-	1,017,818	1,205,525	-	192,572	-	-	-	-	-
Total Expenditure	**6,084,533**	**7,314,282**	**7,807,799**	**8,959,617**	**8,440,960**	**8,118,196**	**8,373,586**	**8,512,049**	**8,756,585**	**8,966,078**
Revenue Over (under) Expenditu	**460,317**	**929,935**	**(150,714)**	**30,122**	**2,038,024**	**620,893**	**514,604**	**637,869**	**623,091**	**671,167**
Ending Fund Balance Projected		6,759,983	6,609,167	6,562,828	8,600,852	9,221,746	9,736,350	10,374,219	10,997,310	11,668,477
Less Estimated Restricted Fund Balance		1,630,014	1,556,801	1,636,653	1,499,293	1,499,293	1,499,293	1,499,293	1,499,293	1,499,293
Unrestricted Fund Balance Projected		5,129,969	5,052,366	4,926,175	7,101,559	7,722,452	8,237,057	8,874,926	9,498,017	10,169,184
Unrestricted Fund Balance as a % of Exp.			64.71%	54.98%	84.13%	95.13%	98.37%	104.26%	108.47%	113.42%

Neutral Property Tax Increase (Decreased)

Town of Woodfin

Note: The top part of this worksheet is used as working papers to make it easier for you (counties and municipalities) to calculate amounts that should be used in the actual budget ordinance.

Revaluations as of:

January 1, 2026 and 2021

Fiscal year		Assessed Valuation as of June 30	Annexation (Deannexation)		Total Adjusted for Annexation or Deannexation	Valuation Increase (Decrease)	Percentage change
2026-27		2,047,039,691	-	26-27	2,047,039,691	719,654,200	
				25-26	1,327,385,491		
	Revaluation						
2025-26	**1/1/2026**	1,327,385,491	-	25-26	1,327,385,491	38,273,085	2.97%
				24-25	1,289,112,406		
2024-25		1,289,112,406	-	24-25	1,289,112,406	61,896,136	5.04%
				23-24	1,227,216,270		
2023-24		1,227,216,270	-	23-24	1,227,216,270	62,374,674	5.35%
				22-23	1,164,841,596		
2022-23		1,164,841,596		22-23	1,164,841,596	71,069,103	6.50%
				21-22	1,093,772,493		
2021-22	**Revaluation 1/1/2021**	1,093,772,493					

4.97% **Average growth % Doesn't include revaluation increase (decrease)** 22.41% last reval

		Tax rate	Estimated tax levy
Last year prior to revaluation			
2025-26	1,327,385,491	0.3300	4,380,372
First year of revaluation		**Tax rate to produce equivalent levy**	
2026-27	2,047,039,691	0.2140	4,380,372
		Revenue neutral tax rate, to be included in budget ordinance, adjusted for growth	
Increase (decrease) tax rate for average growth rate			
2026-27	2,047,039,691	0.2246	4,597,912
		Increase (Decrease) in Tax Levy	217,540
		Average Percentage Increase (Decrease)	4.97%

Date: 3/4/2026

FY 27 Estimated Taxable Values By District

Tax District	District Type	District Name	Real Estate	Business	Individual	Public Service	Motor Vehicle	Total Taxable	Total Taxable Non-RMV
BUN	**County**	**Buncombe County**	**68,574,531,606**	**2,900,193,938**	**306,050,049**	**1,025,525,928**	**3,953,555,157**	**76,759,856,679**	**72,806,301,521**
CAS	City	City of Asheville	**25,578,700,240**	**1,293,904,728**	**79,352,692**	**231,064,300**	**1,168,997,059**	**28,352,019,019**	**27,183,021,960**
CBF	City	Town of Biltmore Forest	**1,386,947,738**	**6,927,264**	**374,453**	**-**	**46,116,662**	**1,440,366,117**	**1,394,249,455**
CBM	City	Town of Black Mountain	**2,251,593,876**	**184,890,099**	**7,825,979**	**15,286,055**	**114,112,676**	**2,573,708,685**	**2,459,596,009**
CMT	City	Town of Montreat	**419,292,151**	**764,445**	**1,467,993**	**1,448,010**	**7,609,079**	**430,581,678**	**422,972,599**
CWO	City	Town of Woodfin	**1,958,850,839**	**66,619,727**	**4,869,400**	**16,699,725**	**100,289,384**	**2,147,329,075**	**2,047,039,691**
CWV	City	Town of Weaverville	**1,770,696,640**	**82,657,325**	**1,226,299**	**14,172,888**	**80,701,169**	**1,949,454,321**	**1,868,753,152**
FAS	Fire	Asheville Special	**217,179,348**	**685,981**	**356,529**	**1,848,824**	**12,027,860**	**232,098,542**	**220,070,682**
FBA	Fire	Barnardsville	**675,140,075**	**2,371,784**	**4,092,195**	**11,315,471**	**53,144,401**	**746,063,926**	**692,919,525**
FBR	Fire	Broad River	**335,466,819**	**1,346,674**	**1,193,397**	**6,565,732**	**13,599,596**	**358,172,217**	**344,572,622**
FEB	Fire	East Buncombe	**1,256,414,219**	**16,925,341**	**9,052,280**	**11,363,201**	**62,813,879**	**1,356,568,920**	**1,293,755,041**
FEC	Fire	Enka-Candler	**5,021,407,071**	**257,245,347**	**43,060,062**	**57,625,915**	**385,733,677**	**5,765,072,073**	**5,379,338,395**
FFA	Fire	Fairview	**3,498,624,329**	**34,481,480**	**13,809,253**	**28,036,802**	**221,223,915**	**3,796,175,779**	**3,574,951,864**
FFB	Fire	French Broad	**647,371,619**	**10,029,008**	**3,781,761**	**9,006,620**	**46,464,876**	**716,653,884**	**670,189,008**
FGC	Fire	Garren Creek	**290,320,428**	**649,702**	**1,180,339**	**3,954,252**	**17,877,432**	**313,982,153**	**296,104,721**
FJU	Fire	Jupiter	**1,291,919,342**	**6,552,340**	**7,746,420**	**8,510,935**	**103,962,366**	**1,418,691,403**	**1,314,729,037**
FLE	Fire	Leicester	**1,732,348,250**	**16,509,875**	**18,396,165**	**20,031,614**	**138,720,726**	**1,926,006,630**	**1,787,285,904**
FNB	Fire	North Buncombe	**1,890,842,045**	**35,906,368**	**8,429,940**	**18,180,422**	**133,749,897**	**2,087,108,672**	**1,953,358,775**
FRC	Fire	Reems Creek	**1,694,036,485**	**3,439,634**	**4,054,673**	**12,097,155**	**79,357,559**	**1,792,985,506**	**1,713,627,947**
FRE	Fire	Reynolds	**1,452,529,721**	**9,636,863**	**4,930,717**	**14,962,867**	**86,197,645**	**1,568,257,813**	**1,482,060,168**
FRI	Fire	Riceville	**1,400,804,036**	**2,262,207**	**11,054,954**	**7,611,965**	**87,995,471**	**1,509,728,632**	**1,421,733,162**
FSB	Fire	Asheville Suburban	**284,893,514**	**51,615,936**	**-**	**3,230,812**	**4,889,541**	**344,629,804**	**339,740,262**
FSK	Fire	Skyland	**9,052,635,508**	**746,959,406**	**29,235,644**	**468,223,402**	**486,831,116**	**10,783,885,076**	**10,297,053,960**
FSW	Fire	Swannanoa	**1,771,504,947**	**29,208,931**	**9,126,839**	**17,318,777**	**137,112,954**	**1,964,272,448**	**1,827,159,494**
FUH	Fire	Upper Hominy	**905,663,014**	**3,227,969**	**10,894,986**	**9,956,988**	**69,729,918**	**999,472,875**	**929,742,957**
FWB	Fire	West Buncombe	**2,891,817,161**	**24,042,712**	**32,464,274**	**36,014,725**	**232,861,524**	**3,217,200,396**	**2,984,338,872**
FWO	Fire	Woodfin Fire	**1,515,663,891**	**63,427,469**	**4,410,198**	**13,823,840**	**83,198,802**	**1,680,524,199**	**1,597,325,398**
SAS	School	Asheville City School	**14,408,040,886**	**502,016,637**	**16,045,206**	**85,237,647**	**550,952,418**	**15,562,292,794**	**15,011,340,376**
IAD	Improvement	Asheville BID	**1,774,102,890**	**86,420,279**	**2,230,392**	**10,654,957**	**26,758,628**	**1,900,167,147**	**1,873,408,518**

Accessibility

Coates' Canons
NORTH CAROLINA LOCAL GOVERNMENT LAW BLOG

May 7, 2020

S.L. 2020-3 (SB 704) Makes (Limited) Changes to Budget Process

Kara Millonzi

In response to COVID-19, the legislature adopted two comprehensive bills that touch on a variety of areas, including a few local government finance-related issues. One of those issues is the annual budget ordinance adoption process. This post explains the normal process and details the recent (limited) legislative changes.

Annual Budget Ordinance

The annual budget ordinance is the legal document that recognizes revenues, authorizes expenditures, and levies taxes for the local government or public authority (collectively local unit) for a single fiscal year. The budget ordinance must be adopted by the unit's governing board. And no public monies may be expended, regardless of their source, unless the monies have been properly budgeted through the annual budget ordinance (or through a project or grant ordinance). *See* G.S. 159-8. The only exceptions to this are for internal service funds or monies collected by a local unit that do not belong to that unit.

The Local Government Budget and Fiscal Control Act (G.S. 159, Art. 3) sets out the basic process for adopting the budget ordinance. It also imposes certain substantive requirements and limitations on the budget ordinance. In response to COVID-19, the legislature made a few changes to the process, but did not change any of the substantive requirements and limitations. The following details the statutory process requirements and then discusses the legislative modifications that apply for this budget cycle only. These modifications expire August 1, 2020.

Process to Adopt Annual Budget Ordinance

Although most units engage in a more expansive budgeting process, below are the minimum process requirements imposed by statute.

- By April 30: Department heads and other staff must submit budget requests to the budget officer. G.S. 159-10.
- By May 15: [Counties Only] School board(s) must submit budget requests to county commissioners, unless commissioners agree to a later date. G.S. 115C-429.
- By June 1: Budget officer must submit proposed budget to governing board. G.S. 159-11(b).
- By July 1: Governing board must adopt annual budget ordinance or an interim budget. G.S. 159-13(a).

The only deadline that really matters is July 1. That is because the prior year's budget ordinance (right now that means the FY2019-2020 budget ordinance) expires at midnight on July 1. It no longer provides any authority to obligate or disburse monies. All of the unspent revenues (to the extent that they were actually realized) revert to fund balance. And a local unit is not authorized to spend money directly out of fund balance.

There are a few other process requirements.

- First, at the same time that the proposed budget is submitted to the board, a copy must be filed in the clerk's office and made available for public inspection. G.S. 159-12(a).
- Second, the clerk must publish notice in a newspaper of general circulation in the county in which the local unit is located. The notice must state that the proposed budget is available for public inspection in the clerk's office and specify the date, time, and location of the public hearing on the budget. *Id.*
- Third, the board must hold at least one public hearing on the whole budget. G.S. 159-12(b).
- Fourth, the board must wait at least 10 days between the date the budget officer submits the proposed budget and the date the board adopts the budget ordinance. G.S. 159-13(a).

- Finally, there are different voting rules for adopting the budget ordinance. The budget ordinance may be adopted at any regular or special meeting, by a simple majority of members present and voting, as long as a quorum is present. G.S. 159-17.

Legislative Changes for this Budget Cycle Only

The legislature made some modest changes to these process requirements for the FY 2020-2021 budget ordinance adoption.

Public Inspection of Proposed Budget. Sect. 4.27 of S.L. 2020-3 (SB 704) amends G.S. 159-12(a) until August 1, 2020, to temporarily eliminate the requirement that a copy of the proposed budget ordinance be available for public inspection in the clerk's office. This amendment applies to all local governments and public authorities.

For units of local government, which are defined in G.S. 159-7 to include counties, municipalities, sanitary districts, consolidated municipal-county governments, county water and sewer districts, metropolitan sewerage districts, metropolitan water districts, mosquito control districts, special airport districts, and regional public transportation authorities, the amendment further provides that "the clerk to the board may post a copy of such budget on the Web site of the unit of local government and shall provide copies in accordance with [the public records law]." Although technically this part of the amendment does not apply to public authorities, those local units already have an independent obligation to provide copies of the proposed budget upon request under the public records law.

Note, however, that a local unit may satisfy its public records obligation to allow for inspection or provide a copy of a public record

> by making public records available online in a format that allows a person to view the public record and print or save the public record to obtain a copy. If the public agency or custodian maintains public records online in a format that allows a person to view and print or save the public records to obtain a copy, the public agency or custodian is not required to provide copies to these public records in any other way.

G.S. 132-6(a1). And even if not done to satisfy the public records obligation, a local unit is well advised to post the proposed budget to its website and various social media outlets.

Public Hearing. As detailed in a **post** by my colleague, Frayda Bluestein, Sect. 4.31 of S.L. 2020-3 (SB 704) also specifically authorizes remote meetings and public hearings, upon issuance of a declaration of emergency under G.S. 166A-19.20.

With respect to public hearings, the legislation provides that

> A public body may conduct any public hearing required or authorized by law during a remote meeting, and take action thereon, provided the public body allows for written comments on the subject of the public hearing to be submitted between publication of any required notice and 24 hours after the public hearing.

Because we are under a Governor-declared emergency, a local unit now has clear authority to conduct its required public hearing for the FY 2020-2021 budget ordinance remotely. However, the new law imposes a new requirement. The board must wait to formally adopt the budget ordinance for at least 24 hours after the hearing. That is because the legislation affords citizens the right to submit written comments for up to 24 hours after the hearing. And, recall that G.S. 159-12(b), which mandates the public hearing on the budget, specifies that any person who wishes to be heard on the budget must be given an opportunity to do so. One might argue that the board could simply adopt the budget ordinance immediately after the public hearing, and then potentially amend the ordinance based on comments it receives after the fact. It is true that local governing boards have broad authority to amend the budget ordinance at any time. G.S. 159-15. However, as detailed **here**, once the board adopts the budget, it may not alter the property tax rate absent exceptional circumstances listed in G.S. 159-15, even if the adoption occurs before July 1. Setting the property tax rate is one of the biggest, if not the biggest, policy decisions that the board makes in the budget. To fully afford citizens their right to comment on the budget and potentially influence the board, the board should schedule a meeting at least 24 hours after the public hearing to adopt the budget ordinance. (Note that the 24-hour waiting period only applies if the board is conducting a remote public hearing, pursuant to the new legislation. It does not apply if the board meets in person and holds a traditional public hearing on the budget.)

Budgeting Options in Face of Uncertainty

What if the board does not want to adopt the budget ordinance by July 1, in the face of so much revenue uncertainty? Here are three previously authored blog posts that set out options for the board:

Local Government Budgeting Options when Revenue Streams are Uncertain

Interim Budget

Taxes, Reappraisals, and Budgets in the COVID-19 Era

LOCAL FINANCE BULLETIN

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STATEMENT OF REVENUE-NEUTRAL TAX RATE AND PROVISION FOR MID-YEAR PROPERTY TAX RATE CHANGE

■ Shea Riggsbee Denning and William C. Rivenbark

This Finance Law Bulletin discusses the application of G.S. 159-11(e), which requires each taxing unit to disclose a revenue-neutral tax rate in its annual operating budget after a reappraisal year. The bulletin sets forth a model for calculating the revenue-neutral rate and provides sample language for disclosing the rate in a taxing unit's budget message. The bulletin also discusses an amendment to G.S. 159-15 that permits a taxing unit to change its property tax rate in the middle of the fiscal year and analyzes the consequences that may ensue from a taxing unit's decision to exercise that authority.

The Revenue-Neutral Rate as a Tool for Comparative Analysis

The 2003 General Assembly enacted S.L. 2003-264, which added subsection (e) to G.S. 159-11. This amendment requires each taxing unit to publish a revenue-neutral tax rate as part of its budget for the fiscal year following revaluation. Efforts to provide taxpayers and governmental officials with comparative analysis information on property tax rates have been on-going. The North Carolina Association of County Commissioners has for many years published "effective" tax rates for all 100 North Carolina counties.[1] These rates illustrate the manner in which an increase in property value results in a lowering of the stated tax rate applicable to a parcel of property.

For example, a tax rate of 50 cents applied to a tax base of $10 billion results in a tax levy of $50 million.[2] If the market value of taxable property were to increase from the assessed value of $10 billion to a market value of $12 billion, the effective tax rate would be approximately 42 cents. The taxing unit would be imposing $50 million in property taxes on a tax base of $12 billion. The property tax paid divided by the actual market value of the property would equal 42 cents—the effective tax rate.

Shea Riggsbee Denning and William C. Rivenbark are School of Government faculty members.

1. *See* North Carolina Association of County Commissioners, *2004–05 Tax Rate Survey*, at http://www.ncacc.org/research/05tax.xls (last visited October 22, 2004).

2. The tax rate is expressed as the amount of tax levied for every $100 of property value.

Because local units may revalue property on different schedules or may have experienced different levels of economic growth, the publication of an effective tax rate helps local officials compare the tax rate imposed by one governmental unit to that imposed by other governmental units. The revenue-neutral rate, in contrast, provides a comparison of the tax burden borne by property owners *within* a particular taxing unit before and after revaluation. The revenue-neutral rate is the rate for the fiscal year after revaluation that, taking into account expected rates of growth in the tax base and excluding increases in market value recognized by the revaluation, would produce revenue that equals the current year's tax levy. The expected rate of growth in the revaluation year is based upon an average of increases or decreases to the assessed value since the last revaluation. This growth or decline is based upon additions to or reductions in a taxing unit's base of taxable property rather than the increases and decreases in market value that are accounted for by the effective tax rate but are not recouped by the taxing unit in nonrevaluation years.

Changes to the real property tax base in nonrevaluation years result from the construction of new homes and businesses, improvements to existing structures, divisions and conveyances of land, rezoning, and other occurrences unrelated to economic conditions affecting the taxing unit in general.[3] Changes in the personal property base occur each year because personal property is valued on an annual basis.[4]

G.S. 159-11(e) provides that the growth factor used in calculating the revenue-neutral rate is based upon the average increase in the tax base "due to improvements since the last general reappraisal." We conclude, as a result, that the term *improvements* was not intended to include only real property improvements, but to encompass all additions and reductions in the tax base recognized in nonrevaluation years. This is because the revenue-neutral rate is the rate necessary to provide the same amount of revenue received by the taxing unit in the current fiscal year. Current year revenue is based on real *and* personal property taxes. Basing the tax levy calculation in a revaluation year upon the rate of growth associated with real property improvements and ignoring the growth rate of personal property would result in an estimated tax levy noncomparable to prior year levies that included all property types.

When a taxing unit experiences overall growth since the last revaluation, the revenue-neutral rate is lower than the current fiscal year's tax rate because a lower tax rate imposed on a larger tax base produces the same amount of revenue. When a taxing unit experiences a decline in taxable property, the revenue-neutral rate is higher than the current fiscal year's rate to account for the smaller base on which to levy taxes.

Calculating a Revenue-Neutral Tax Rate

G.S. 159-11(e) instructs that the revenue-neutral rate is calculated as follows:

1. Determine a rate that would produce revenues equal to those produced for the current fiscal year.
2. Increase the rate by a growth factor equal to the average annual percentage increase in the tax base due to improvements since the last general reappraisal.
3. Adjust the rate to account for any annexation, deannexation, merger, or similar events.

Sample Rate Calculation

Table 1 illustrates a rate calculation for a taxing unit with a general reappraisal effective January 1, 2000, an annexation of property in 2001–02 with an assessed value of $100 million, and a general reappraisal effective January 1, 2004.[5] The first step is to determine a rate that would produce revenues equal to those produced in the current fiscal year. As described in Note D in Table 1, a tax rate of 54.2 cents would produce a tax levy in 2004–05 equal to the tax levy in the current fiscal year (2003–04) of $9,750,000. The second step is to increase the tax rate of 54.2 cents by the average growth factor of 8 percent as calculated from the annual growth rates since the last general reappraisal (9.1+7.7+7.1 / 3).

The third statutorily prescribed step is to adjust the rate to account for any annexation, deannexation, merger, or similar events. This step actually occurs before calculation of the growth rate, as described in

3. *See* G.S. 105-287 (setting forth reasons for which an assessor may increase or decrease the appraised value of real property in a nonrevaluation year).

4. G.S. 105-285(b).

5. The authors thank Professor David M. Lawrence for determining the method for calculating a revenue-neutral rate pursuant to G.S. 159-11(e). *See* A. Fleming Bell II and David M. Lawrence, "Local Government and Local Finance," in *North Carolina Legislation 2003*, William A. Campbell, ed. (Chapel Hill, N.C.: Institute of Government, the University of North Carolina at Chapel Hill, 2003), 124–25.

Table 1. Sample Rate Calculations

Fiscal Year	Assessed Value	Growth Rate	Tax Rate	Tax Levy	Notes
2000–01	$1,100,000,000		0.650	$7,150,000	
2001–02	$1,200,000,000	9.1%	0.650	$7,800,000	A
2001–02	$1,300,000,000		0.650	$8,450,000	
2002–03	$1,400,000,000	7.7%	0.650	$9,100,000	B
2002–03	$1,400,000,000		0.650	$9,100,000	
2003–04	$1,500,000,000	7.1%	0.650	$9,750,000	C
2004–05	$1,800,000,000		0.542	$9,750,000	D

Notes

A. The assessed value for 2001–02 excludes the assessed value of property acquired in an annexation of $100,000,000 for calculating the tax base growth rate between 2000–01 and 2001–02 of 9.1 percent.

B. The assessed value for 2001–02 includes the annexation for calculating the tax base growth rate between 2001–02 and 2002–03 of 7.7 percent.

C. No adjustments have been made for calculating the tax base growth rate between 2002–03 and 2003–04.

D. The assessed value of $1,800,000,000 represents the tax base after the reappraisal of real property. A tax rate of 0.542 would produce a tax levy equal to the tax levy in 2003–04. The tax rate of 0.542 is then adjusted by a growth factor of 8 percent (9.1+7.7+7.1 / 3), which is the average annual growth rate of assessed value since the last general reappraisal, to determine **the revenue-neutral tax rate of 0.585**.

Notes A and B in Table 1. The annexation of $100 million is excluded when calculating the growth factor of assessed value from 2000–01 to 2001–02. However, it is included when calculating the growth factor of assessed value from 2001–02 to 2002–03. The revenue-neutral tax in this illustration is 58.5 cents, which is a decrease from the current tax rate of 65 cents.[6]

Another way of looking at this is to calculate what the tax base would have been if no revaluation had occurred. If growth had continued at the average pace of 8 percent, the tax base in 2004–05 would have been $1.62 billion. At the current tax rate of 65 cents, the tax base of $1.62 billion would have resulted in a tax levy of $10,530,000. To derive this same amount of revenue from the post-revaluation tax base of $1.8 billion, a tax rate of 58.5 cents would be imposed.[7]

Compliance with the Requirement to State the Revenue-Neutral Rate in the Budget

G.S. 159-11(e) requires that the budget officer, in the year in which a general reappraisal of real property has been conducted, include a statement of the revenue-neutral tax rate in the budget for comparison purposes. In other words, a statement of the revenue-neutral tax rate must be included in the budget document for the fiscal year following the January 1 on which the reappraisal became effective. As presented in the previous section, G.S. 159-11(e) contains the formula

6. As of this writing, the N.C. Department of the State Treasurer calculates the revenue-neutral rate in a different manner by excluding the annexed value from the calculation in the first year and in all subsequent years. See N.C. Department of the State Treasurer, *Neutral Property Tax Increase*, *at* http://www.nctreasurer.com/dsthome/stateandlocalgov/auditingandreporting/ (last visited November 3, 2004). The authors believe the better method to adjust for annexation is to exclude the annexation from the year in which it occurs and to recognize it, along with its improvements, in subsequent years.

7. To some degree, the revenue-neutral rate must be based upon estimations of the tax base in a revaluation year because appeals of assessments will not be resolved at the time the rate is published. Successful taxpayer appeals lower the revaluation year tax base.

for calculating the revenue-neutral tax rate. It does not, however, provide for the location of a statement of the revenue-neutral tax rate within the budget or provide recommended language for such a statement.

Recommended Placement

There are several places within the budget document that could be used by the budget officer to address the revenue-neutral tax rate, including the budget message, the budget summary, the revenue section, or the budget ordinance. We recommend that budget officers use the budget message for providing a statement of the revenue-neutral tax rate. One reason for using the budget message is found in G.S. 159-11(b), which requires that the budget, together with a budget message, be submitted to the governing board not later than June 1. The Local Government Budget and Fiscal Control Act does not require the submission of other sections commonly found in budget documents.

G.S. 159-11(b) also recommends that the budget message address any major changes in fiscal policy and in appropriation levels. A difference between the actual tax rate for the forthcoming fiscal year and the revenue-neutral tax rate represents a change in fiscal policy, resulting in an effective tax increase or decrease for taxpayers. Because the revenue-neutral rate may represent such a shift in fiscal policy, we do not recommend incorporating such a statement into the budget ordinance. The budget ordinance is not the preferred place for communicating changes in fiscal policy, and it does not always accompany the proposed budget submitted to elected officials for consideration by the budget officer.

Another reason for using the budget message is found in the recommended budget practices promulgated by the Government Finance Officers Association (GFOA). The GFOA recommends that the budget contain a budget message that summarizes the major factors and trends affecting the preparation and adoption of the annual operating budget.[8] Such factors and trends include revenue collections, tax rates, debt obligations, and changes in fund balance. Placing a statement of the revenue-neutral tax rate in the budget message highlights the significance of the reappraisal process, gives readers a benchmark for an increase or decrease in the property tax rate, and represents professional financial management.

Recommended Language

The variables needed to calculate the revenue-neutral tax rate are the reassessed value of real property, the tax levy from the current fiscal year, and the average growth factor of the tax base. A statement of the revenue-neutral tax rate in the budget message should contain these variables in communicating the change in fiscal policy. Additional detailed information is needed to perform the calculation of the revenue-neutral tax rate, including the annual percentage change in the tax base for each year since the last reappraisal. The average annual percentage change in the tax base is the growth factor as defined by G.S. 159-11(e). The authors believe that the additional information required for calculating the revenue-neutral tax rate represents work papers as opposed to information needed to comply with G.S. 159-11(e). The sidebar on page 5 contains recommended language for communicating the revenue-neutral tax rate within the budget message.

The sidebar includes language sufficient to satisfy the statutory requirements for publishing a revenue-neutral tax rate in a taxing unit's budget. A taxing unit may wish, however, to provide its citizens with a fuller explanation of the revenue-neutral rate. Forsyth County, for example, published such an explanation on its county Web site.

Implications of a Mid-Year Tax Rate Amendment

Another major change to the Local Government Budget and Fiscal Control Act enacted by the 2002 General Assembly gives units of local government more flexibility with amending the budget ordinance after the governing board has approved it.[9] Before the change, G.S. 159-15 prohibited units of local government from amending their budget ordinances to increase or reduce a property tax levy or in any manner alter a taxpayer's liability for property taxes. The only exception was a change ordered by a court of competent jurisdiction or by a state agency with legal authority.

G.S. 159-15 was amended by the 2002 General Assembly to provide in part: "If after July 1 the local government receives revenues that are substantially more or less than the amount anticipated, the governing body may, before January 1 following adoption of the budget, amend the budget ordinance to reduce or increase the property tax levy to account for the unanticipated increase or reduction in revenues." While this change in law gives units of local government more flexibility in responding to unanticipated changes in

8. Government Finance Officers Association, *Recommended Practices for State and Local Governments* (2001).

9. S.L. 2002-126 (S 1115).

Revenue-Neutral Tax Rate: An Example

The general reappraisal of real property for Carolina City occurs once every four years. State law requires that units of local government, including public authorities, publish a revenue-neutral tax rate in the budget immediately following the completion of the general reappraisal of real property. The purpose of the revenue-neutral tax rate is to provide citizens with comparative information.

The FY 2004–05 operating budget follows the general reappraisal of real property for Carolina City. The revenue-neutral tax rate, as defined by G.S. 159-11(e), is the rate that is estimated to produce revenue for the next fiscal year equal to the revenue for the current fiscal year if no reappraisal had occurred. The rate is then adjusted by a growth factor equal to the average annual percentage increase in the tax base due to improvements since the last general reappraisal.

The reappraisal produced a tax base of $1,800,000,000 for Carolina City. The tax levy for the current fiscal year is $9,750,000, and the growth factor since the last general reappraisal is 8 percent. Using the formula mandated by state law, the revenue-neutral tax rate for Carolina City is 58.5 cents. The proposed property tax rate for FY 2004–05 is 60 cents, which represents a decrease from the property tax rate of 65 cents for FY 2003–04.

revenue sources, local officials and governing board members should be extremely cautious in using this authority to change the property tax rate.

G.S. 159-13(a) requires that not earlier than ten days after the day the budget is presented to the board and not later than July 1, the governing board shall adopt a budget ordinance. The budget ordinance contains estimated revenues, appropriations, and the property tax levy, which includes the tax rate.[10] Because property taxes are legally due on September 1, this gives units of local government approximately two months to prepare and distribute tax bills to property owners.[11] An amendment to the budget ordinance to change the tax levy after July 1, but before the tax bills are mailed to property owners, may or may not hinder the preparation and distribution process of those bills.

From a practical standpoint, however, a budget amendment that occurred so soon after July 1 would have been preceded by uncertainty of budgetary needs at the time the governing board adopted the original budget ordinance. The preferred alternative would be an interim budget ordinance allowed under G.S. 159-16. An interim budget gives units of local government more time to gather information, gives tax collectors notice that the tax levy remains outstanding before the billing process is started, and prevents the governing board from debating and adopting two property tax rates within a short period of time.

One could argue that a change in the property tax rate after September 1 but before January 1 might become necessary because of unforeseen events. Nevertheless, there are major considerations that should be addressed before a decision is made to change the property tax rate after tax bills have been mailed. The first involves the process of preparing and distributing the bills themselves. A change in the tax rate would require tax collectors to prepare and distribute a second set of bills for the difference in tax liability—a major administrative burden.[12]

Another consideration in changing the property tax rate in the middle of the fiscal year is how bond rating agencies would view the decision. One of the major financial factors used by bond rating agencies to measure the financial strengths of local governments is general fund balance as a percentage of revenues.[13] This measure provides an indication of how prepared units of local government are to respond to unforeseen contingencies, including changes in actual revenues as compared to forecasted revenues. A change in the property tax rate may indicate that a local government's financial position has not been properly managed. While we cannot predict how a rate change would impact an organization's overall bond rating, we can predict that rating agencies would intensify their analysis of the following factors:

- Revenue diversity
- Revenue forecasting
- Fund balance (cash position)

10. David M. Lawrence, *Local Government Finance in North Carolina* (Chapel Hill, N.C.: Institute of Government, the University of North Carolina at Chapel Hill, 1990).

11. We recognize that local governments are not required by law to send property tax bills to property owners. *See* G.S. 105-348 (providing that all persons with interest in property are charged with notice of taxes). Nonetheless, it is the recommended and followed practice in local government to mail such bills annually in July and August.

12. Tax collectors would not have the option of refunding amounts already paid and sending new bills for the entire tax liability. *See* G.S. 105-380 (prohibiting refund of property taxes except as expressly provided); G.S. 105-381 [permitting the governing board to refund taxes only if the tax was (1) imposed through a clerical error, (2) was illegal, or (3) was levied for an illegal purpose].

13. Linda Hird Lipnick et al., *The Determinants of Credit Quality* (Moody's Investors Service, Inc., 1999).

- Long-term planning
- Management strategies
- Political stability

A mid-year change in the tax rate also would have negative political consequences. The governing board and senior administrators would come under extreme scrutiny from the media and from the citizenry. Informing property owners of what would be perceived as two property tax liabilities in the same fiscal year and explaining the reasons for the change in liability would be extremely challenging for units of local government. We propose that the best way to avoid a change in the tax rate is to make short-term and long-term financial decisions under the framework of the old law where the tax rate could not be changed after adoption.

Conclusion

The calculation and publication of a revenue-neutral tax rate is another step toward transparency in local government. It permits citizens to better evaluate the impact of a revaluation on property owners' tax liability. It also informs the important—and often controversial—decision that elected officials must make about the appropriate tax rate to impose after a countywide revaluation of real property.

The amendment to G.S. 159-15, allowing a taxing unit to adjust its tax rate after July 1 but before January 1, gives local officials more flexibility in managing their revenue sources. However, for the reasons outlined in this bulletin, we recommend that local officials be extremely cautious when exercising this authority.

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