July 1, 2026

Honorable Mayor and Councilmembers,

Attached herein is the City of Brevard's FY27 municipal budget, covering the period between July 1, 2026, and June 30, 2027. This budget is presented in accordance with the North Carolina Local Government Budget & Fiscal Control Act and is balanced as required by North Carolina General Statutes. It was approved at your June 15, 2026, City Council meeting.

As always, I want to thank each of you for the time and attention you put into this process. The Budget Workshop on April 10, 2026, was one of the most productive I've experienced in my career. Your work during the Priority Setting Retreat in March and your special-called Budget Workshop in June was helpful as well. Building a budget is always challenging, but the challenge is multiplied without a focused and engaged board. I say every year—and continue to believe—that your work on the budget is commendable.

The FY27 budget provides resources to some of your priorities, summarized on pages X-X, and maintains most service levels across the City of Brevard enterprise. However, it is developed in a time of chaotic and challenging economic circumstances, so, overall, it is quite austere and, unfortunately, leaves some hoped-for projects unfunded.

- The overall budget is set at $27,422,661 across all funds, a 1.1% decrease from FY26. The FY27 figure is smaller because it includes fewer one-time capital purchases. If FY26's capital spending was comparable to FY27's, FY27's total would be 2.5% higher.
- The budget increases staffing levels in Fire and Public Works, helping keep those departments' heads above water. It maintains most other services and service levels from FY26 despite higher costs of doing business.
- In the face of stagnating natural growth in revenue, this budgets funds core services via a 2.5-cent increase in the City's property tax rate. It also includes a 0.65-cent increase in the Municipal Service District (MSD) tax, the first increase to that tax in over ten years.
- The budget proposal also increases fees on certain specialized services, shifting funding responsibility more toward the beneficiaries of those services and away from the general taxpayer.

Since the City's budget comprises several distinct budgets—General Fund (GF), Fire Fund, Stormwater Fund, and Water/Sewer fund (W/S)—I'll discuss each in turn.

GENERAL FUND

I recommend you set the GF budget at $14,961,661, a 3.5% increase over last year. The increase is attributable almost exclusively to the higher costs of sustaining and enhancing core municipal services, particularly in the Public Works and Fire departments, and Council's desire to maintain competitive compensation and benefits for City employees. Notable budgetary pressures include:

- Employee health insurance costs: $2,136,000 for FY27 versus $2,066,200 for FY26, a $69,800 increase on paper. In an effort to control costs, the City switched to the larger Carolina Public Entity Cooperative last year. This switch helped keep the year-over-year increase in costs manageable, but it did not—and could not—drive *down* the cost of employee health insurance. The reason why this seemingly modest increase is notable is because, for the first time in recent memory, healthcare costs can no longer be underwritten by a large subsidy from the City's Health Insurance Reserve Fund. In recent years the City has been tapping that reserve to minimize the pain of year-over-year increases. And it will do so again this year, though to a much smaller extent. In FY27, a larger share of healthcare costs must be borne by the annual budget itself. To that end, in FY27 the pro rata cost of coverage was set at $17,000 per employee, up from $16,000 last year.
- Salary creep: As employees retire or take other jobs, they're often replaced with employees who make more money. This is a function of the City's desire to hire top-tier candidates as well as the fact that the pool of potential employees in this area is smaller because of the area's high cost of living and other factors. Brevard cannot hire good employees with static compensation.
- Inflation: Like individuals, the City is a consumer of goods and services. Perhaps more so than the typical individual, the City is a consumer of commodities like fuel, chemicals, and construction materials whose prices are vulnerable to worldwide economic fluctuations. In the last calendar year retaliatory tariffs, unnecessary wars, and political gamesmanship have disrupted the world economy. The collective impact of these factors is that we're compelled to pay higher prices if we wish to maintain our service levels.

The General Fund shall be funded via its diverse set of revenues, which is covered in greater detail later in this booklet. The budget projects minimal natural increases in year-over-year collections for the GF's largest revenue source, property tax; an expected increase in the second largest source, sales tax; and decreased revenue in another large source, interest income.

Expected revenue will therefore fall far short of being able to fund Council's top priorities while simultaneously maintaining service levels. Therefore, as mentioned in the introductory section's bullet points, my proposal includes a 2.5-cent increase to Brevard's property tax rate, making Brevard's rate $.3825. This rate is in keeping with the target you set during the Budget Workshop on April 10, 2026. Please refer to page X-X in this booklet to see how the proposed tax increase affects properties of various values.

Property tax rates are hard to compare these days, as peer municipalities in our area are in different stages of the revaluation cycle depending on their county. In FY26 Waynesville and Canton had rates of $.479 and $.54 respectively, but Haywood County's last revaluation was 2021, and they aren't performing another until 2027. If the trends hold, their overall tax base will go up and their revenue neutral rate will be lower than their current rate. Hendersonville and Fletcher went through a revaluation in 2024. Their rates are $.52 and $.28[1] respectively. Buncombe County performed a revaluation in 2026, seeing a 43% overall increase in value. In FY26, Black Mountain and Weaverville's rates were $.321 and $.380 respectively.



A new patrol vehicle purchased in FY26 sporting Brevard Police Department's new livery.

In keeping with the philosophy that Council has tacitly applied to recent budgets, this proposal includes a number of fee increases that are designed to shift the cost of services that benefit individuals *to* the specific beneficiary of the service and *away* from the general taxpayer.

- A 0.65-cent increase in the Municipal Service District tax (aka, the Heart of Brevard tax). This tax has not increased in recent memory, and was set at its revenue neutral rate last year. Proceeds from this tax benefit the downtown Municipal Service District almost exclusively. An increase in this tax will enable the City to maintain a similar funding level for downtown-oriented services without a larger contribution from the general taxpayer.
- Increases to the Commercial Recycling and Commercial Cardboard collection fees to $13 and $20 per month, respectively, for small users. Even higher fees will be charged to heavy users of the Commercial Cardboard Service. Fees for these services are currently $5.75 and $10 per month. This is undeniably a large increase, but prior to this increase the revenue collected only covered about 50% of the cost of the service. With this new fee model, collection will cover about 100% of the cost. Even with the fee increase, our research suggests that our service is still a better deal than the comparable private-sector option.
- A $1 increase (from $2 to $3) in the Franklin Park Pool daily admission fee.
- Employees who choose one of the City's dependent health coverage options will be asked to pay a slightly higher monthly premium. Currently, the City subsidizes 86% of these plans' costs, a level higher than that of surrounding public employers. We seek to decrease that to an 83% subsidy in FY27, and an 80% subsidy in FY28. This will impact about 41 employees, including me.

[1] Fletcher residents pay an additional $.105 fire district tax, making the taxes they pay for a comparable level of services similar to Brevard's.

With all that said, the GF proposal budgets money for the following:

- Increasing employee compensation by 2.7%/3% across the board so that it stays ahead of inflation according to the Consumer Price Index (CPI)[2] even with the aforementioned premium increase for dependent coverage plans.
- Three new positions in Public Works (two in Buildings and Grounds, one in Streets). At current staffing levels, the department is frequently short-staffed and must pull employees from other departments to execute its portfolio of responsibilities when employees are sick, on vacation, cannot make it to work due to inclement weather, or when vacancies exist in areas of high turnover like sanitation. New positions will give the department a staffing cushion and enhance its capacity to focus on its backlog of special projects that are outside the scope of its day-to-day responsibilities. What's more, having in-house resources to conduct special projects is more cost effective than farming them out to outside contractors.
- Extra staffing capacity for Brevard Fire Department. More on this in the next section of this message.
- Endowing Fund 76 (Housing Trust Fund) with $235,000, Fund 83 (Downtown Master Plan) with $47,500, and Fund 78 (Multi-Use Path) with $47,500; however, the latter two are half of FY26's contribution amount.



Funded partially by a $1.1M loan from the City, 48-units of low-to-moderate income housing is under construction off Asheville Highway. The units will serve families making below 80% of area median income.

FIRE FUND

I recommend that the Brevard Fire Fund (Fire) be set at $1,726,228. This figure is lower than FY26's budget because FY26's figure included around $925,000 in capital expenses that are not duplicated in FY27.

Omitting these capital expenses, the FY27 budget is $197,428 more than FY26. The primary driver of this increase is the inclusion of dollars to enhance department staffing.

[2] As of February 2026

Fire service is typically a GF-funded function; in Brevard's case, however, it is accounted for in a separate fund. Brevard Fire Department (BFD) is jointly funded by Brevard and Transylvania County since BFD provides services to the Sylvan Valley 2 rural fire district. The terms of the City's contract with the County require that we hold the dollars in a discrete fund.

For FY27, the agreement splits the department's operating cost approximately 56.8%/43.2% between the City/County. Brevard's $955,608 GF contribution—which shows up in that fund's bottom line but is specifically accounted for as a transfer in the "Non-Departmental" section of the budget—is the single biggest source of Fire's operating revenue. Transylvania County's contribution is the second biggest source. Their contribution comes from the proceeds of the new countywide fire tax implemented in FY26; previously it had come from a $.055/cent tax charged to property owners within the Sylvan Valley 2 district.

The percentage split skews heavier towards the City in FY27 as this budget includes some extra-contractual enhancements to staffing levels funded with municipal dollars alone. The budget includes funding for one additional full-time firefighter and an increase to the "part-time salaries" line item intended to give BFD the financial resources it needs to keep one extra trained firefighter at the station during the overnight shift. This is a change from our current practice of keeping one firefighter at the station overnight and calling in on-call responders from their homes to supplement him/her as needed.

STORMWATER FUND

My proposal contains no significant changes to the Stormwater Fund. I recommend that we continue with our three-tiered rate model for another year, using its proceeds to fund McAdams' work creating an updated Stormwater Master Plan.

When it's completed, the Master Plan will include options for a new, more equitable fee model. That will be part of our budget discussion prior to FY28 or FY29.

WATER/SEWER FUND

The Water/Sewer (W/S) Fund is the most independent of Brevard's enterprise funds. Funded exclusively with rate revenue, W/S is financially autonomous. As a matter of fact, W/S pays a cost reimbursement ($750,000 in this proposed budget) *to* the GF to pay for the support services (administration, finance, HR, etc.) the latter provides to the former.

I recommend that W/S's budget be set at $7,782,900, a 2.5% decrease over FY26[3].

Notable service level changes in the FY27 proposal include the creation of a state-mandated fats, oils, and grease (FOG) enforcement program, and resources to focus on reducing Brevard's rate of "non-revenue water". Non-revenue water is an industry term for fresh drinking water that's manufactured but not sold. Some non-revenue water is expected; fire hydrants, for example, use non-revenue water. But a study conducted a few years ago –and again as part of the recently published *Asset Inventory and Assessment for Water Distribution System* document—reveals

[3] Note that, as with the Fire Fund, the FY26 figure is inflated because of the inclusion of $540,000 in debt proceeds to its total. The actual operating level was $7,439,125. Since there are no debt proceeds budgeted for FY27, the true apples-to-apples comparison between the two years see FY27's budget increase by 4.6%.

Brevard's rate is higher than average. The consequences of this are higher manufacturing costs per gallon reaching the tap, and strain on our natural resources.

To adequately fund W/S's operations, maintenance, and capital efforts, I recommend that Brevard continue with its regular 4% rate increase. As is typical, this increase will be applicable to the per/1000 gallon consumption fee customers pay. It will equate to approximately $25 more per year for a customer who consumes 2,700 gallons/month. The 4% increase applies to all classes of customers—residential, institutional, commercial, industrial.

I also recommend raising the High Strength Waste Surcharge (HSWS) by 4% both in the industrial and commercial/institutional categories. The commercial/institutional surcharge was implemented two years ago to shift the cost of treating waste with high suspended solids and biological oxygen demand more towards the customers who discharge such waste into the system. These heavy dischargers drive the need for expensive chemicals mentioned in a previous paragraph, and thus their fee should more closely reflect the true cost of the service.

Finally, I recommend raising the fee septage haulers must pay to empty their trucks at our facility by 4%. Two years ago, we switched from a per-truckload fee to a per-gallon fee. It makes sense to be consistent and raise these fees if we raise fees on other customers, particularly since we believe our service is still cheaper than that provided by similar facilities close by and because most of the beneficiaries of this service do not contribute to the city's financial health with taxes.

Two years ago I said in my message that we were fortunate that most of our capital program was being underwritten by ARPA dollars from the Federal Government via the State of North Carolina. I bring it up again to remind readers that FY27 is the last year those dollars will appear on our books; ARPA dollars must be expended by December 31, 2026.

Fortunately, our ARPA funded projects are all well underway and scheduled to be completed by the deadline, and in FY26 we've been lucky to receive some non-ARPA dollars from the state to continue progress on our capital program. But I offer this info as a reminder that future capital projects will require us to have skin in the game, which is why I recommend we continue with our regular rate increases so that we can build the nest egg we need.



A new generator is installed at Brevard's water treatment plant.

FY26 SUPPLEMENTAL SPENDING PLAN

I reiterate that the FY27 budget cannot accommodate all of Council's priorities. Fortunately, the City has a small amount of operational savings in the FY26 budget that can be allocated for certain needs. You approved the FY26 Supplemental Spending Plan on page XX at your June 1, 2026 meeting, taking some pressure off the FY27 budget.

CONCLUSION

Looking back, I believe this budget may be the most challenging of my career. It does not give Brevard's tax and rate payers any relief, and it doesn't give us the resources to do nearly all that we want for the community. This budget is an unfortunate product of the economic times we live in.

With that said, I also believe that Brevard's portfolio of services as it stands is critical for maintaining the high quality of life we enjoy here, and that City services still represent good value for the money.

The tax and fee increases proposed in this budget are modest. They will permit the City to maintain—and even enhance—core services, prepare for future infrastructure needs, and support its employees.

Mayor and Councilmembers, as always, please feel free to call or email me with any questions or comments.

Best regards,



Wilson Hooper
City Manager