FY 2027 Budget Work Session

March 10, 2026

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Finance & Management Svcs



Agenda

I. Proposed Changes to Fees and Charges
   A. Solid Waste & Other General Fund Fees
   B. Stormwater
   C. Water
   D. Parking
II. Update on FY27 General Fund Revenues

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Fees & Charges

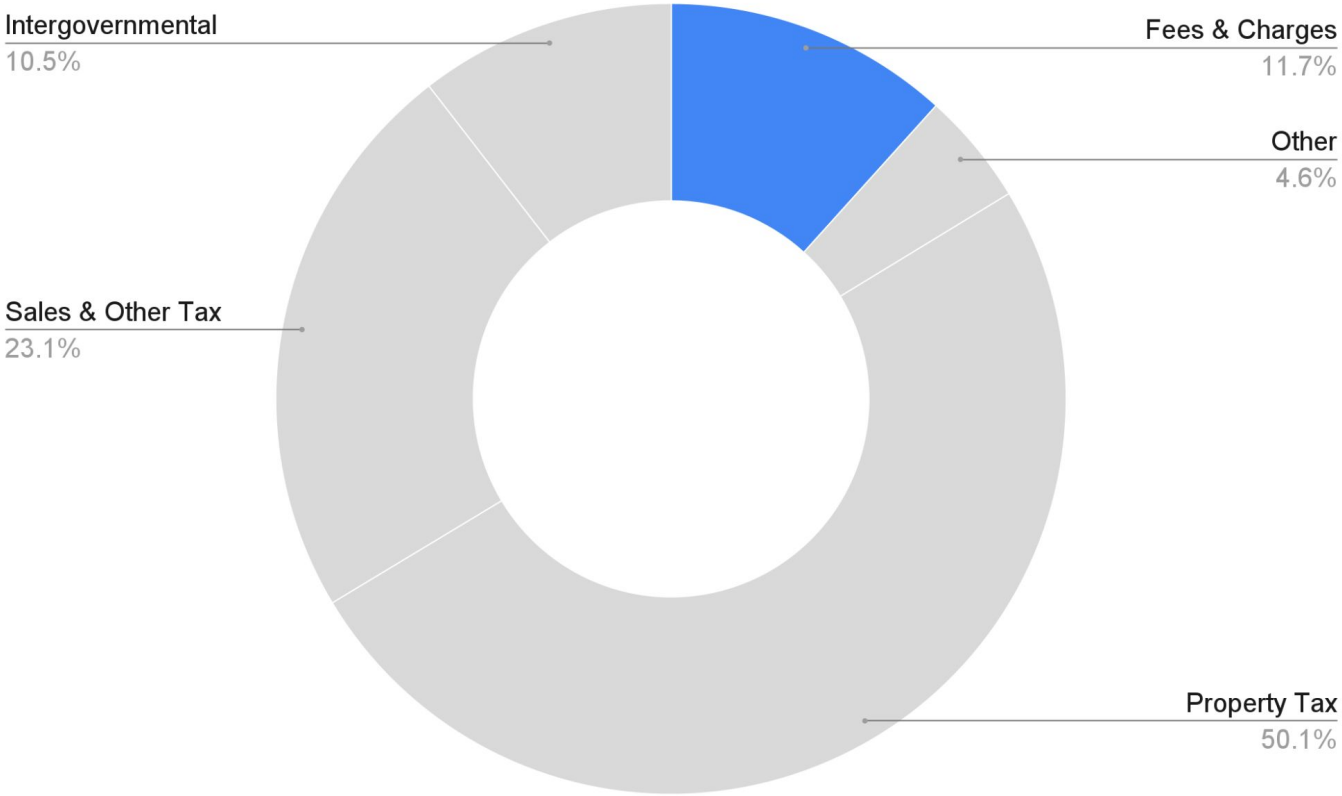
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Fees & Charges Background

- The fees & charges manual is a formal record of what the City charges for services.
- Council adopts changes in the spring for the next FY, and those changes are used to project revenue impact.
- Last year, departments were not asked to submit updates to fees and charges to limit the impact on the community after Helene.
    - The only major adjustment was to continue with Year 2 of the 3-year water rate adjustment.

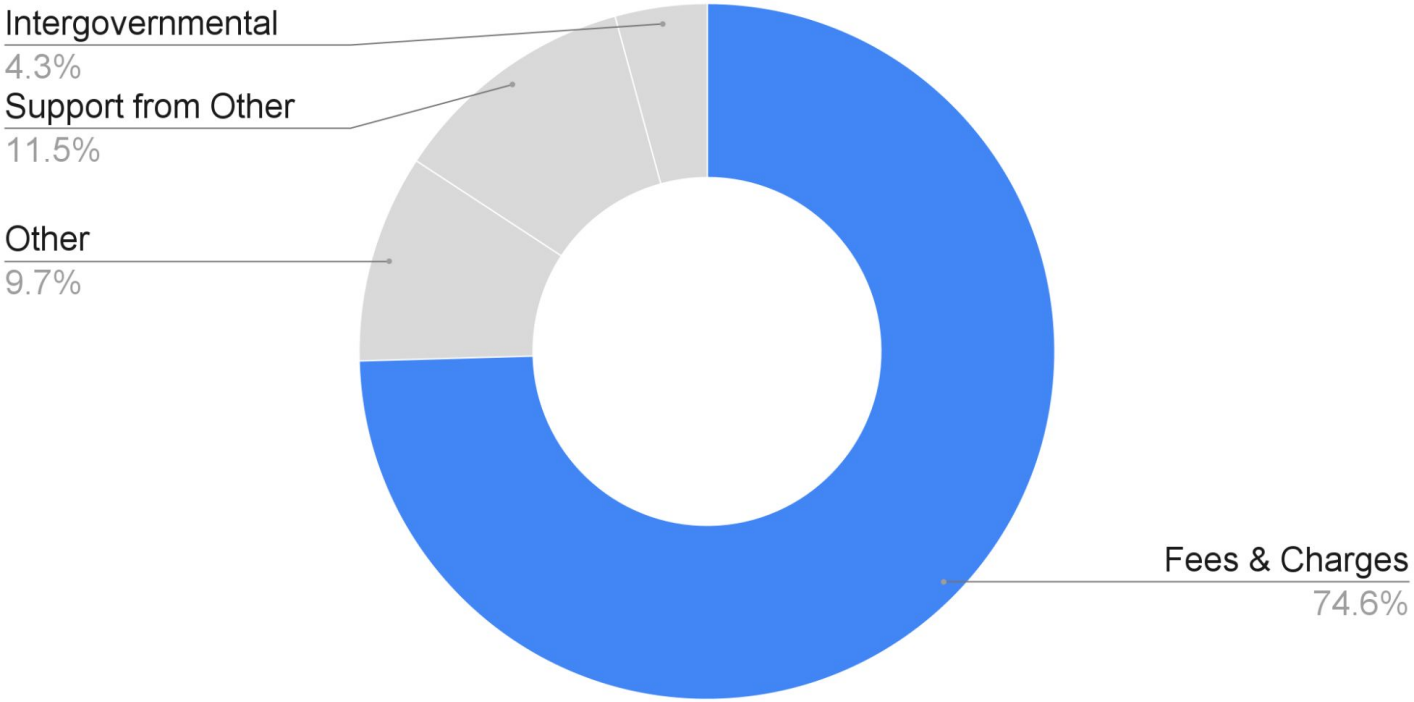
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FY 2025-26 General Fund Revenues



Adopted Budget:
$182,819,441

FY 2025-26 Enterprise Fund Revenues



Adopted Budget:
$91,380,054

Fees & Charges Goals

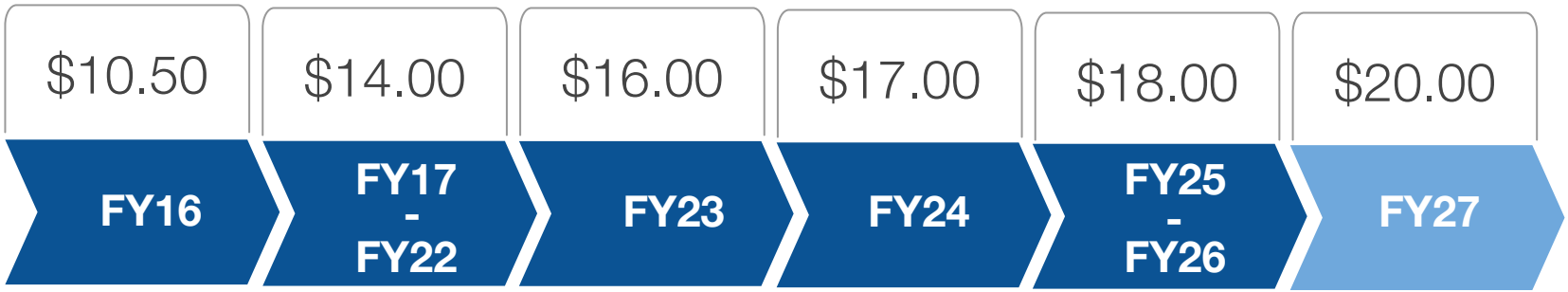
- **Benchmarking:** align fees with similar cities where applicable
- **Cost recovery:** demonstrate how the cost of the service impacts the fee
- **Review cycles:** Follow regular review schedules
- **Prioritize the community:** keep in mind impacts of TS Helene and property reval

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Recommended Fee Changes: Solid Waste (General Fund)

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Solid Waste Fee History



Fee revenue did not keep up with increasing cost to deliver service.

Funded Solid Waste Master Plan, additional drivers and increase in recycling contract.

Fee revenue did not keep up with increasing cost to deliver service.

Recommended fee for increased disposal cost as a result of market changes due to Tropical Storm Helene

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Solid Waste Fee

- Increase in disposal costs & tipping fees, particularly in yard waste since the storm.
- County no longer providing solid waste rebate ($95K)
- Fee is below the average charged by municipalities across NC, some of which also charge for additional services such as brush and bulky item collection.

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Recommended Fee Changes: Other General Fund

Other GF Fee Changes: WNC Nature Center Admission

- WNC Nature Center is requesting to increase the admission fees:
  - City residents **$2**
  - Non-residents **$3**
- This would result in an estimated annual revenue increase of about **$213,355**.
- Consistent with history of raising rates approx. every 5 years, per industry standards.

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Other GF Fee Changes: Street Closures

- Fees to temporarily close right-of-way will be restructured to include differential rates for sidewalks, bike lanes, proximity to downtown, etc.
- New fees will incentivize shorter, less disruptive closures.
- **$40K** additional revenue

Summary GF Revenue Increases

Fee	Additional Revenue
Solid Waste	$800,000
WNC Nature Center	$213,355
Street Closures	$40,000
Other Adjustments	$47,630
Total GF	**$1,100,985**

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Recommended Fee Changes: Stormwater Fund

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Stormwater Overview

Aging Infrastructure & Deferred Maintenance
Failures require emergency repairs

Project Complexity
Easement acquisition and utility conflicts make projects difficult to scope, cost and deliver

Increasing Needs
Higher number of flood events strains existing system and managing the Tropical Storm Helene Damage

System Mapping
Ongoing mapping of the physical stormwater infrastructure allows for long-term capital improvement planning

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Recommended Changes

Property Size (Single Family) or Type	Current (per month)	Proposed (per month)	Change
225 - 2,000 Square Feet	$4.53	$4.87	$0.34
2,001 - 4,000 Square Feet	$7.22	$7.76	$0.54
> 4,001 Square Feet	$9.94	$10.69	$0.75
Non-Single Family Properties per ERU (Equivalent Residential Units)	$7.22	$7.76	$0.54

- A previous rate study suggested an 8.5% increase to support program needs and capital improvements.
- This recommendation represents a 7.5% increase, to minimize costs to ratepayers.

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Recommended Fee Changes: Water Resources Fund

Water Cost of Service Study

- A Water Cost of Service Study was completed in late 2023 that determined the cost of service by functional area, assessed the rate structure, and made recommendations for multi-year rate adjustments.
    - Study found the residential class was subsidizing other customer classes; specifically commercial/manufacturing and wholesale.
- Staff recommended a three-year phase-in approach to the proposed rate adjustments as the most efficient, effective and equitable approach for our customers since it will eliminate inequity among customer classes sooner, establish needed funding for the capital program, and preserve the City's debt ratings.
- City Council has already adopted the first two years of the three-year rate adjustment plan.

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Importance of Continued Rate Adjustments

- Allows the system to keep up with rising costs to continue providing existing services.
- Provides funding for critical maintenance of water capital infrastructure.
  - $250+ million in capital improvements expected over the next five years.
- Ratings Agencies use metrics such as debt service coverage and reserves to determine ratings for future debt issuances.
- Additional rate increases will continue after FY27.

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Rate Comparison

Base Charge (Bimonthly)	FY26	FY27	Change
⅝”	$14.34	$15.41	$1.07
¾”	$20.17	$21.68	$1.51
1”	$32.68	$35.13	$2.45
1.5”	$63.94	$68.74	$4.80
2”	$101.46	$109.07	$7.61
3”	$201.52	$216.63	$15.11
4”	$314.07	$337.63	$23.56
6”	$626.74	$673.74	$47.00
8”	$1,001.93	$1,077.08	$75.15
10”	$2,627.78	$2,824.87	$197.09

Volumetric (per CCF)	FY26	FY27	Change
Single Fam Residential	$5.60	$6.02	$0.42
Irrigation	$7.74	$8.32	$0.58
Multifamily Residential	$5.32	$5.72	$0.40
Commercial			
Tier 1	$5.32	$5.72	$0.40
Tier 2	$3.82	$4.51	$0.69
Manufacturing			
Tier 1	$5.32	$5.72	$0.40
Tier 2	$3.71	$4.51	$0.80
Wholesale	$2.18	$2.89	$0.71

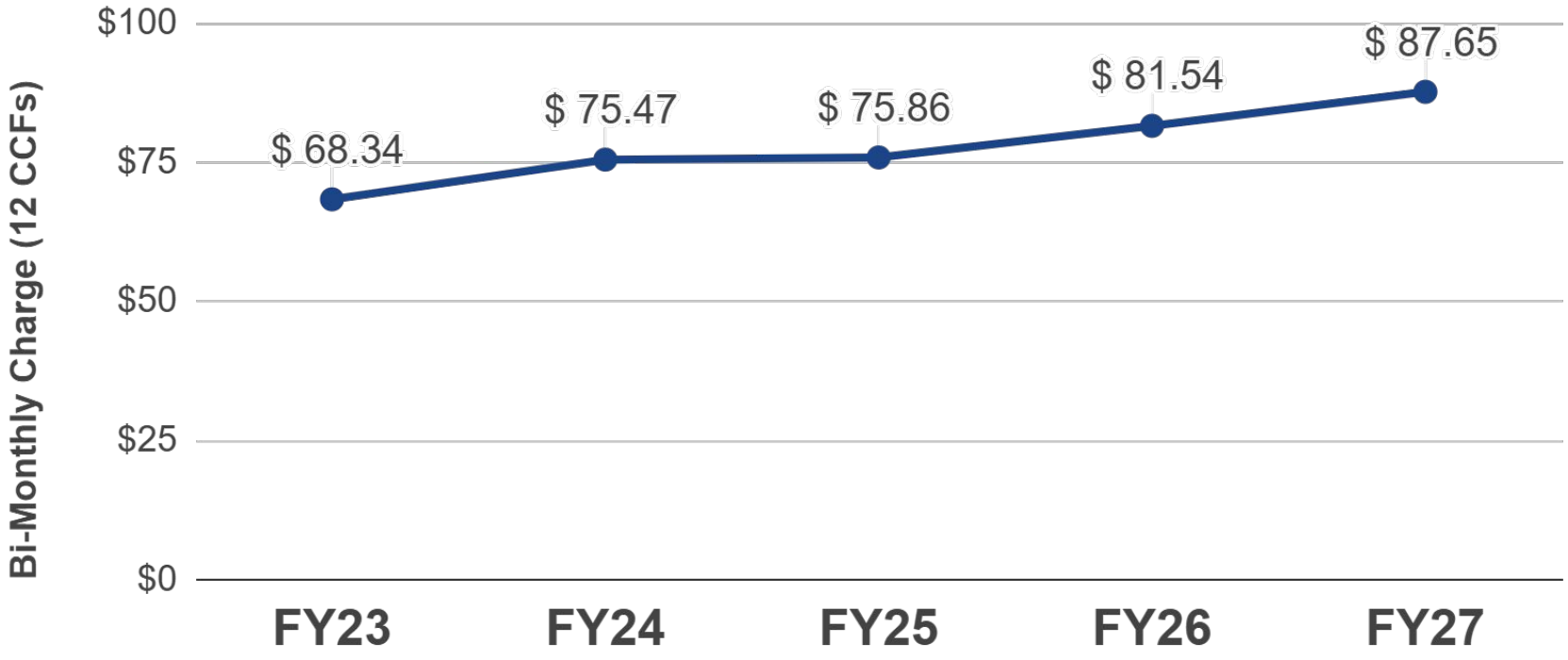
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Typical Customer Bill Impacts

Bimonthly Usage	FY26	FY27	Change
Residential - 5/8” (12 CCF)	$81.54	$87.65	7.5%
Commercial - 5/8” (84 CCF)	$461.15	$495.73	7.5%
Commercial - 1” (120 CCF)	$670.97	$721.30	7.5%
Manufacturing - 4” (4,922 CCF)	$21,781.98	$24,958.65	14.6%
Manufacturing - 8” (26,306 CCF)	$101,713.92	$122,177.78	20.1%
Wholesale - 8” (18,120 CCF)	$40,427.88	$53,513.22	32.4%

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Single Family Residential User Impact



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Recommended Fee Changes: Parking Fund

Parking Fee Increases

- Minor increases to parking fees:
  - **$1** increase to special event parking
  - **$5** increase to monthly lot permits
  - Increased Failure to Pay fees
- Additional information around service expansion will be discussed at an upcoming work session.

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Typical Residential Household Impact

Fee	Bi-Monthly Bill Increase	FY27 Annual Increase
Solid Waste	$4.00	$24.00
Stormwater (Tier 2)	$1.08	$6.48
Water (6 CCFs/month)	$6.11	$36.66
Total	**$11.19**	**$67.14**

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Fee Adjustment Discussion

- Council input:
  - Is any additional information needed?
  - Any fee changes you expected, but were not included here for consideration?
  - Does Council support staff's recommendations and want us to proceed with bringing FY27 fee approvals to Council's March 24th meeting?

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Fiscal Year 2027 (FY27) General Fund Revenue Projections

FY27 General Fund Revenue Projections

- Property tax projections are based on the revenue neutral formula provided by the State.
  - Formula requires use of a growth factor equivalent to average tax base growth since last revaluation.
  - For the City this average is 1.23%, which only produces minimal property tax revenue growth in FY27.
  - Expecting revaluation numbers from the County soon so revenue neutral rate calculation and tax rate increase scenarios can be completed.

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FY27 General Fund Revenue Projections

- Sales taxes - Collections are up year over year but still trending under budget.
  - Currently projecting FY27 budget flat compared to FY26.
- Intergovernmental revenue is slightly higher in FY27 due to growth in state utility taxes
- Slight variations in other revenue sources, including a decrease in ABC revenue.
- One-time revenues of $5.6M from disaster loan and street cut are not repeated in FY27.
- ***Overall early estimates are for FY27 General Fund revenues to be down $3.4M.***

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FY27 General Fund Revenue Projections (in millions)

General Fund	FY26 Budget (Adjusted)	FY27 Projected	FY27 Projected vs FY26 Budget
Property Taxes	$91.5	$92.1	$0.6
Sales & Other Taxes	$42.3	$42.4	$0.1
Intergovernmental	$14.2	$14.6	$0.4
Fees & Charges	$15.7	$16.5	$0.8
Investment Earnings	$2.5	$2.4	-$0.1
ABC Revenue & Other	$3.2	$3.6	$0.4
FY26 One-Time Revenues	$5.6	$0.0	-$5.6
Total	**$175.0**	**$171.6**	**-$3.4**

**Reflects change in accounting for cost allocation charges.*
***Does not include proposed fee increases*

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Discussion

- Questions about early revenue projections?

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Upcoming Work Sessions

March 10	• Updated GF revenue projections • Fees & Charges

March 24	• Updated GF spending projections
	  ○ Savings
	  ○ Other operating changes
	• Compensation strategies

April 14	• Enterprise Funds & BID • Capital Improvement Program • Finalize Council proposed budget direction

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Next Steps & Discussion

- Complete Council small meetings & finalize 3/10 work session presentation
- Continue to analyze potential departmental savings & base budget requests
- Savings options and additional budget balancing strategies to be reviewed at 3/24 work session
- Council will be provided a full list of recommended savings for review in advance of 3/24 work session
- Are there any specific items Council would like to include in our analysis?

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