

**TOWN OF SPARTA, NORTH CAROLINA**  
**FISCAL YEAR 2022-2023**  
**BUDGET MESSAGE**



Wes Brinegar, Mayor

**TOWN COUNCIL**

Mike Parlier, Mayor Pro Tem

John Brady

Cole Edwards

Terry McGrady

Milly Richardson

MAY 3, 2022

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RYAN E. WILMOTH, MANAGER

## INTRODUCTION

May 3, 2022

The Honorable Members  
Sparta Town Council

Dear Town Council Members,

The annual budget process brings together the unique combination of long-range financial performance and planning as well as short-term deliverables ensuring both the Town Council's and communities top service priorities are supported, while responding to the many operating and capital needs of our organization.

Over the past two (2) fiscal years the Town has taken large strides in improving community vitality through a combination of economic development initiatives, namely the downtown revitalization efforts of Streetscape and creative placemaking, as well as public facilities enhancements such as Crouse Park improvements and public parking availability. These projects will be critical for sustaining the increased energy of economic activity and community growth in the area; generating a long-term positive impact for both the Town and County.

During the last 12 months, the Town has made significant progress on the path of recovery from the September 9, 2020 earthquake and continues to weather the effects of the on-going global pandemic caused by COVID-19, which has required an intensive review of projections and priorities for the overall health of the organization during this budget process. This budget recommendation does acknowledge economic uncertainty, as unprecedented supply chain disruptions and inflation created by COVID-19 macroeconomics persist, and proposes responsible strategies to help buffer the Town from potential economic turbulence should conditions negatively evolve.

The basic framework for developing this budget recommendation is a derivative of the priorities established by the Town Council during the budget work sessions held on March 28<sup>th</sup> and 30<sup>th</sup>, 2022. The recommended FY 22-23 balanced budget focuses on delivering tangible results in a landscape that continues to evolve. With this recommended plan, we propose undertaking strategic efforts for continued action to address the deferred infrastructure maintenance projects in the capital improvement plan, enhance public services provisions to the community, as well as remaining focused on maintaining fiscal strength to position ourselves to successfully address emerging community needs not yet captured in the strategic plan.

The budget is balanced and has been prepared in accordance with the North Carolina Local Government Budget and Fiscal Control Act.

## OVERVIEW

The Town's Balanced Budget Plan is a foundation that is to be built upon based on Town Council direction. The foundation focuses on continuing to anticipate emerging issues and identifying available resources that can deliver tangible results. It is shaped by priority driven budgeting with a clear focus on strategic priorities that are developed through Town Council and community dialogue. The plan acknowledges the need to maintain the levels of service that our community expects while prioritizing the Council's strategic plan and understanding that there are new issues on the horizon that are not part of current services or the current strategic plan.

As the recommended budget was developed, three areas were carefully evaluated in order to balance current organizational performance with long range planning to establish a successful path forward.



Current global conditions have taught us a great deal about accepted operational practices and has challenged the Town to be creative with service delivery. The Town has been able to effectively and efficiently continue to provide high level services that are expected by our community throughout these unprecedented times. We realize continual self-evaluation of processes and nimbleness and openness to change is a vital component for the Town to advance its position of being a high performing organization that meets and exceeds community expectation in both service delivery and efficiency.

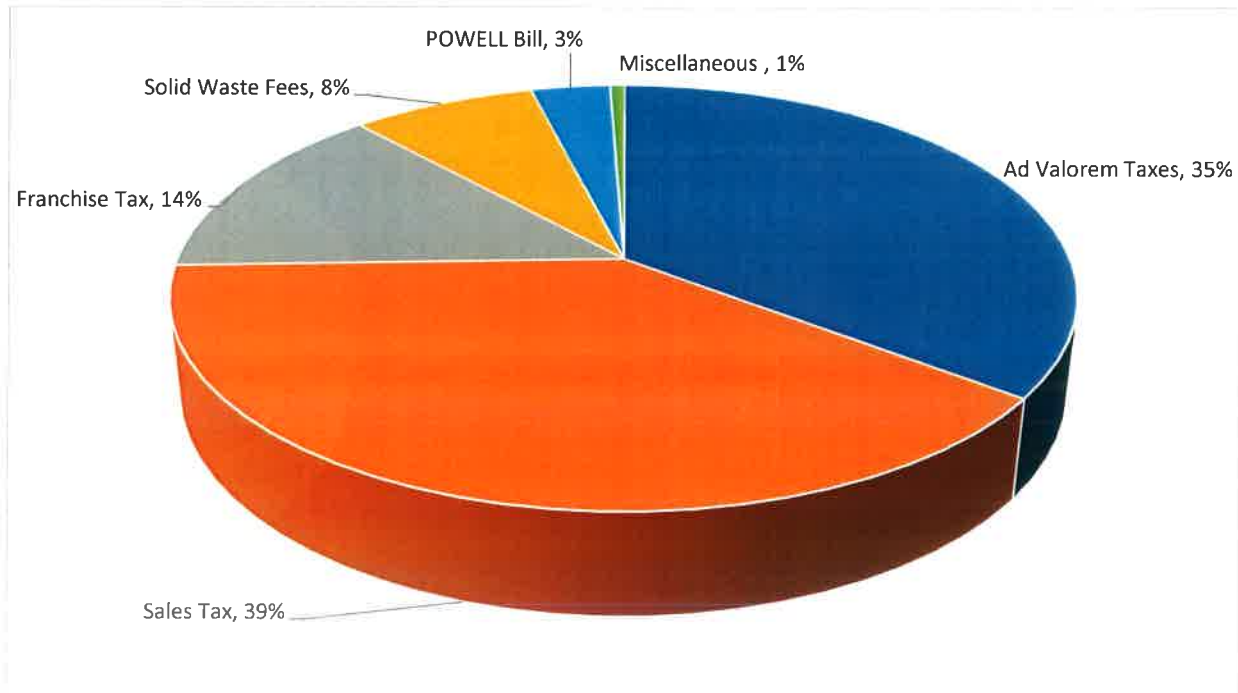
The FY 22-23 recommended budget is highlighted with intentionality to continuous improvement and refinement of strategies and services to align with organizational mission and values.

## FY 22-23 GENERAL FUND BUDGET OVERVIEW

The proposed budget for the fiscal year 2022-2023 General Fund is balanced assuming a flat property tax rate of 39-cents per \$100 of property valuation and a strategic fund balance appropriation of \$100,000 for balancing. Budget modeling efforts began with a careful review of the most recent estimates of the anticipated revenues to be received in the current year. The Town's FY 21-22 overall estimated general fund revenues are expected to perform very close to the budgeted level, and better than projections in key areas of tax collections. Additionally, current and expected expenditures for the current fiscal year were reviewed to identify any gaps in performance or unmet goals that had not been accounted for. Overall general fund expenses for FY 21-22 are anticipated to be under budget. The FY 21-22 budget did see a strategic draw down of the fund balance in the amount of \$250,000 for the purpose of completing the Crouse Park Expansion and Improvement capital project. Based on current year-end revenue and expense projections for FY 21-22, an addition to the fund balance should offset the withdraw amount.

### Budgeted Revenue Portfolio

The Town of Sparta continues to work to diversify its revenue sources in an effort to reduce the Town's reliance on property tax. It is critical for the Town to continue to look at town revenues long term and identify areas of potential diversification to avoid negative revenue growths in the event of an economic recession. Total revenue, not including restricted governmental/ special project funds carrying over from the previous fiscal year, in the General Fund is budgeted at \$1,958,605- an increase of \$235,851 or approximately 13.7% increase from the prior fiscal year budget. See below for detailed descriptions:



## Sales Tax

The Town of Sparta has experienced substantial growth in sales tax over the past two years. Performance in this key area of revenue has now positioned sales tax as the leading revenue source for the Town. With this increase in economic vibrancy in the area projected to continue, the FY 22-23 budget contains a 12% increase in overall sales tax which equates to a net increase of approximately \$77,000 over the prior fiscal year.

## Ad Valorem Tax

Property tax continues to be steady source of revenue for the Town. While projected real property tax base for the Town increased nearly 15% in the prior year due to revaluation, the total projected tax base for the FY 22-23 budget is estimated to increase 2% overall, which aligns with historical growth patterns. This translates to a projected net revenue of \$35,336 over prior year revenue. The FY 22-23 budget recommends maintaining the current tax rate of 39-cents per \$100 valuation.

Additionally, the proposed budget includes maintaining the Municipal Vehicle Tax that was introduced in FY 21-22 at the current tax levy of \$5.00 per registered motor vehicle. This is equivalent to approximately one-half cent in property tax rate; however, this form of taxation captures the individuals that live inside the Town limits but do not own traditional real estate property. In accordance with N.C.G.S. § 20-97., these funds are available for general purpose use.

## Franchise Tax

Revenue under the umbrella of this source has continued to perform well under pre-COVID conditions. Many factors such as policy change, consumption behavior, and weather pattern changes, are at play in this swing in fiscal performance. With most COVID mandates now expired and the geopolitical affairs of current, which will likely drive utility prices upward, there is a good indication that distribution amounts may begin to return to pre-COVID levels. However, with the amount of uncertainty in current macroeconomics and geopolitical settings, the FY 22-23 budget takes a conservative recommendation of no change in net revenue from the previous year.

## Powell Bill Allocation

The Powell Bill allocation for FY 22-23 is projected to have a moderate increase of approximately 23% or \$12,000 from the previous fiscal year projections. The state budget contained a near \$10MM increase for the Powell Bill program with language that froze funding levels for two of the major municipalities participating in the program. This legislative funding change combined with an uptick in the estimated population of Sparta is responsible for the increased projection. Additionally, with the state capital improvement funds (SCIF) the town received during the current state budget, road infrastructure repair and maintenance will be largely completed within this budget year. These unexpected funds will serve the town well into

the future and provides the town the opportunity to focus Powell Bill funds on other areas and methodologies of commuting.

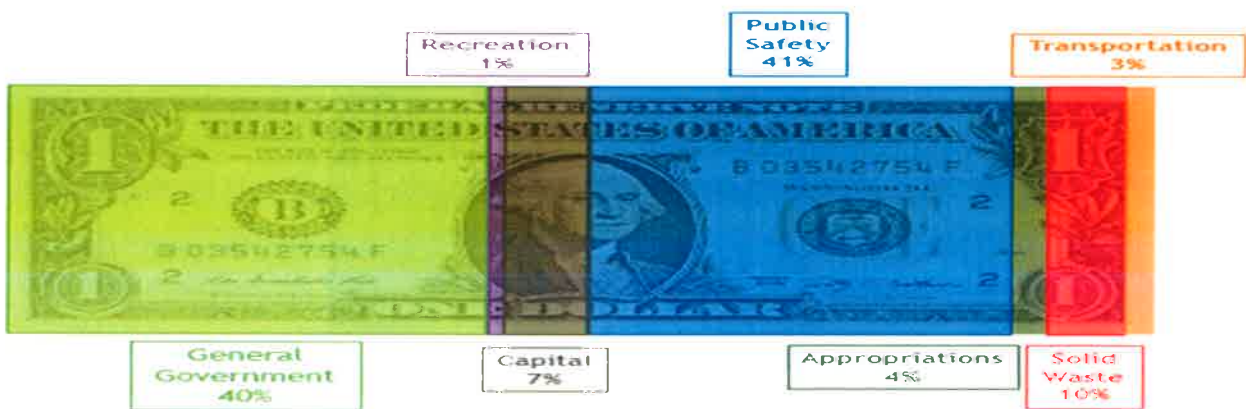
### Solid Waste Fees

Solid waste services are essential to maintaining a sanitary and aesthetically pleasing environment for the community. As anticipated, a transition from contracting for services to self-performance for solid waste collection will occur in FY 22-23 as the previous contract for service expires with a mutual agreement of exercising nonrenewal by both parties. This transition to self-performance of service required an in-depth review and analysis of costs vs expenditures in order to capture the necessary capital and personnel to effectively and efficiently provide service, as well as position the Town with a fee schedule that balances sustainability and financial equitability for citizens.

The FY 22-23 recommended budget includes a residential rate increase for collection of \$1.00, or approximately 11%, for a fee of \$10.00 per month for a 96-gallon receptacle. Commercial dumpster collection fees have historically been based upon size capacities instead of weight capacities, which is a more reliable predictor of the utilization of services that will occur. An average weight per cubic yard was calculated for all commercial waste generators utilizing the latest EPA volume-to-weight conversion publication which was then used to establish a base rate of \$1.91 per cubic yard per collection fee for all dumpster customers. Overall, there was a 23% increase on average for commercial dumpster customers. Considering both fee schedule adjustments, there is a projected net increase in revenue of \$20,200 to off-set the majority of the anticipated expenses in year one of the transition in service performance.

### Budgeted Expenses

General Fund expenses are divided into seven (7) main categories, each of which represents an investment by the Town both internally in the organization and externally for service to citizens. The expenses for each area were carefully drafted from the vision of the Town Council and through the incorporation of high-performance organization management principles. As part of the budget balancing strategy, concepts of operational re-engineering for maximizing efficiency and manufacturing savings were put into practice. The main expenses for the Town general fund are detailed below:



## Human Capital

The Town of Sparta acknowledges our employees as our greatest asset and has made solid strides in investing in our human capital over the past 18 months. The realization that our employees are the life blood of our ability to provide the highest quality of services to our citizens paired with the looming fact that there is simply a national supply and demand shortage for local government talent is the driving factors for striving to be an employer of choice. On average, employees receive a benefit package that represents 25-35% of their total annual salary. Insurance premiums is a large portion of the fringe benefits provided by the Town and recent action by the State Health Plan show a notable increase in cost for the Town. Retirement is also a significant portion of the benefit package and as part of the proposed budget, contributions for general government employees remain unchanged. Retirement contributions related to Law Enforcement Officers, as part of the LGERS, is increasing by 1% for a total of 13.04% per participant in FY 22-23.

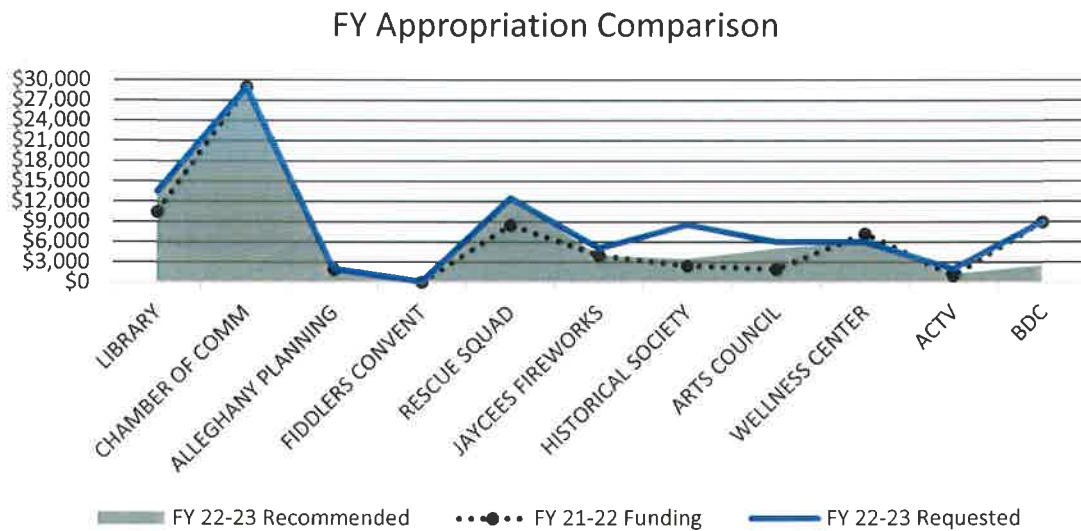
In an effort to provide all of our employees with wages that pace the rate of inflation, a cost-of-living adjustment (COLA) of three percent (3%) is included in the FY 22-23 budget. To reward performance and engage staff to execute their duties at the highest possible level, included in the budget is a merit increase of up to three percent (3%), dependent upon the results of an employee's annual performance evaluation. Additionally, in an attempt to maintain competitiveness within the local workforce market, the recommended budget includes adjustments to positions within the town pay scale that are below the recommended midpoint range, as adjusted for employee qualifications and tenure, namely positions within the Police Department and Public Works. To promote employee retention and long-term dedication to the organization, continuing the longevity payment of one percent (1%) is recommended.

## Public Safety

The Town Council's continued commitment to safety for the community is most evident by the investment in the Police Department. As local, state, and national trends show an unfortunate increase in the potential for criminal activity, ensuring our citizens are met with a sense of safety within the community is a top priority. The Police Department has historically staffed one fulltime officer on duty complimented by auxiliary staff as needed to provide law enforcement services to the community. With marked increases in population, downtown activity, and overall calls for services, included in the recommended budget is funding for one additional fulltime officer for mid-shift coverage. As a compliment to strategic restructuring of current positions already approved in the department, this additional position will provide the capacity of two officers on duty during peak times seven days per week. Capital funding for a replacement vehicle is also included in the budget. The total recommended department budget for public safety in FY 22-23 will see the largest departmental increase at nearly nineteen percent (19%) overall.

## Special Appropriations

Many community partners have requested funding under the special appropriations category. These partners are crucial in extending programming and services that aid in the overall betterment of the community. It is recommended that Allegheny Planning, Allegheny Chamber for Economic Development, Fiddlers Convention, and contributions to the July 4<sup>th</sup> Fireworks remain flat at the current level of funding, as requested. It is further recommended that the Allegheny County Branch of the Northwest Regional Library receive an increase of \$3,000 in addition to its current funding as requested, Allegheny County Rescue Squad receive an increase of \$4,000 in addition to its current funding as requested, Allegheny Arts Council receive an increase of \$3,000 in addition to its current funding, Allegheny County Historical Society receive an increase of \$1,000 in addition to its current funding, Allegheny Community Television receive an increase of \$250 in addition to its current funding, Allegheny Wellness Center receive \$1,250 less its current funding as requested, and the Blue Ridge Development Center receive \$6,500 less its current funding level.



## Operational Highlights

The Town of Sparta continues to work to build a high performing, innovative culture with a balanced focus on efficiency and future growth. Improved provision of essential services highlights FY 22-23 with a focus on increasing public safety, as discussed earlier, and sanitary services. Acquisition of two used garbage trucks in the amount of \$75,000 and the addition of two solid waste personnel for the provision of solid waste collection is included in the recommended budget.

Additionally, the Town continues to make solid strides in addressing deferred maintenance to its assets and property. Building on the momentum of these community centered improvements, additional funds to enhance the town cemetery and address critical repairs to parking lots at Town Hall and Crouse Park have been recommended.



Also included in the recommended budget is the matching funds of \$26,000 for the USDA Rural Business Development Grant, should the town be successfully selected as a recipient.

## **FY 22-23 ENTERPRISE FUND BUDGET OVERVIEW**

The recommended Enterprise Fund budget for fiscal year 2022-2023 is balanced and essentially maintains the current level of operations and service, adjusted for current economic conditions. FY 21-22 has seen a recovery of revenue to pre-COVID levels as well as slight increase in the request for services as a result of area growth and development. The total proposed FY 22-23 balanced budget of \$1,739,120 allows us to strategically maintain our current level of service as we respond to continued community needs in an evolving geopolitical environment. Of the total budget amount, funds in the amount of \$100,000 are restricted governmental funds from the Earthquake Recovery Grant received from NC OSBM. Revenues and Expenses for the Enterprise Fund are detailed below.

### **Budgeted Revenues**

The FY 22-23 revenue is projected to increase slightly by four percent (4%) over the past fiscal year. FY 21-22 revenue are performing as projected and expenditures have been closely controlled to yield a projected net fund balance increase at the close of the fiscal year. As the geopolitical environment has evolved and material availability has driven market conditions upward on nearly every front, there has been some hard-earned lessons to the vulnerability of our operations to these external influences. Continuing to diversify revenue in this fund to ensure the Town is not detrimentally impacted by any one factor must be a priority going forward; however, we must ensure that the established fee schedule for services align with not only cost of operations, but also long-term maintenance and capital needs.

As a result, the recommended budget proposes an increase for water and sewer rates. Rates inside the corporate limits are recommended to increase by two percent (2%) for water and two percent (2%) for sewer services. Based upon the minimum usage of 2000 gallons, the monthly charge for customers inside the corporate limits would increase by sixty-four cents (\$0.64), to \$32.42. Rates outside the corporate limits are recommended to increase by four percent (4%) for water and four percent (4%) for sewer services. Based upon the minimum usage of 2000 gallons, the monthly charge for customers outside the corporate limits would increase by \$2.09, to \$54.33.

Due to increasing cost of materials, supplies, and fuel, fees associated with installation of water and sewer taps, which have remained unchanged since 2013, are recommended to increase by \$150 for water taps and \$250 for sewer taps for FY 22-23. Additionally, an increase of ten dollars (\$10) in the current reconnect fee is recommended to offset the increased costs associated with delinquent accounts.

It is further recommended that the Town institute an irrigation user classification into the fee schedule in an effort to promote water conservation and ensure treated, drinking quality water is

available for the community. The same sliding fee schedule utilized for potable consumption users will be the basis for determining fee by usage amounts, however, the scale will be adjusted upward by twenty-five percent (25%) for both inside and outside corporate limits connections.

The second year of a ten-year repayment from the VCWA for contributed labor by the Town during the early stages of operations of the water plant will yield revenue of \$10,000 for FY 22-23.

### Budgeted Expenses

The enterprise fund expenses for FY 22-23 are aimed at balancing current obligations and services with long term planning and needs to ensure the highest level of services for the community. Expenses over the last two years have been tightly controlled as we continue to navigate the macroeconomics of the global pandemic, a theme that has yielded improved practices for supply acquisition and materials management. Intentional spending with prioritization of resources is continued in practice during development of the FY 22-23 recommended budget.

#### Fixed Fees and Debit Service

The largest expense for FY 22-23 is purchasing of water from the Virginia Carolina Water Authority (VCWA) at a flat rate of \$340,000. This is slightly increased from prior year due to VCWA undergoing credentialing for water production capacity. The recommended rate increases support covering this cost increase.

The Town will make its second debt service payments, combined total of \$126,337, for the capital improvement projects of Crestview Booster Pump Station and the Waterline Replacement and Streetscape. Crestview Booster Pump Station is a twenty (20) year liability with annual payments in the amount of \$34,270 and the Waterline Replacement and Streetscape project is a forty (40) year liability with annual payments in the amount of \$92,067. Also, the second of ten installments to the Streetscape Reserve account that is required by USDA funding restrictions, an additional \$9,207, is appropriated.

#### Operational Highlights

Included in the expenses for FY 22-23 is the recommendation for a three percent (3%) COLA, merit increase of up to three percent (3%), longevity incentive of one percent (1%), and targeted pay adjustments for underpaid positions, as outlined in the Human Capital section of this report.

Also, focus on capital expenditures and improvements are part of the FY 22-23 proposed budget. A continued commitment to appropriating funds to the capital project restricted fund, enhancing technological capacities for both water and wastewater assets, and purchase of a new service truck for water and sewer maintenance and obtaining equipment that has been identified for priority repair or acquisition demonstrates the largest areas of increase in expense for the proposed enterprise fund budget.

## Other Project Funds

As part of the overall financial operations of the Town, FY 22-23 will see the conclusion of a handful of multiyear projects, as well as mark the launch of several key projects for infrastructure improvements that will continue over multiple budget years.

Funds in the amount of \$355,472 are dedicated to the NC PARTF grant project capital budget that was approved in FY 19-20, as modified in the current fiscal, to complete the Crouse Park Improvements and Expansion project. This funding has an expenditure deadline of November 1, 2022, per the grant agreement. Funds in the amount of \$162,017, to date, will carry forward to construct the Splash Pad. Additional funds are still being received through donation, with some funding being realized once construction is underway, and will continue to be accepted until completion of the project which is anticipated to be September 2022.

An allocation from the American Rescue Plan Act of \$274,557.85 which was received July 2021 will carry over to FY 22-23 for use and an additional allocation from the Act of approximately \$274,558 is anticipated to be received in July 2022 to complete the total ARPA funding (\$549,116) slated for the Town. The Town has elected to take the Standard Allowance as allowed under the final rule of the OBM. It is anticipated these funds will be expensed entirely in FY 23.

Also, approximately \$4.5MM of the \$7MM State Capital Improvement Funds (SCIF) received from the state budget will continue to be available for Roadway Improvements and Mitchell Mountain Road Culvert Replacement projects. These projects are projected to reach substantial completion within FY 23. The remaining \$2.5MM in SCIF funds are slated for phase I capital improvements at the wastewater treatment facility, which include new operational components such as digester, blowers, plant drives, influent and effluent pumps, etc. that have reach end of life status. This work is in the early planning stages and will continue in earnest in the early part of FY 23, however, the Town has applied for federal funds being administered through state agencies for a \$10MM grant for completion of phase I and phase II facility improvements which equates to a complete overhaul and redesign of the treatment plant. This grant will be announced in July of 2022 which will provide a clear path forward for the future of capital needs for the wastewater treatment facility. An additional \$1.3MM in state appropriate ARPA funding for the Bledsoe Creek Interceptor Line project is expected to be expensed during FY 23. Federal funding through grant application has been requested to cover a potential \$200,000 deficit in the project cost. Grant award announcement is expected early Q1 of FY 23. If grant funding is not successful, a fund balance appropriation should be anticipated to complete this essential project.

Lastly, the Asset Inventory and Assessment (AIA) grant funding for Water and Wastewater that were initiated in FY 22 are anticipated to conclude late FY 23. While unexpected funds have been realized through ARPA and state sources that largely address critical infrastructure needs in these two areas, much remains to be garnished from these assessments and will aid the Town in continuing to be strategic in planning and budgeting efforts for capital repair and replacement. Combined funds remaining to be expensed for these two grants are \$256,250 or \$118,250 for AIA-Water and \$138,000 for AIA-Sewer.

## CONCLUSION

The 2022-2023 Fiscal Year Budget will continue to provide our residents, families, and guests with a full scope of high-quality services. Indicators in the community are continuing to recapture the optimism and hope that we enjoyed prior to 2020; however, we must remain committed to our purpose in order to capitalize on this vibrancy. Intentional effort to synchronize “what” we do with “why” we do it will ensure that the Town of Sparta prospers in our role of service to community. The past year has created new and exciting opportunities for innovation, growth, and organizational development never imagined. It continues to be an exciting and transformational time for the Town of Sparta.

I would like to thank our Town Council for their vision and direction through this process. I would also like to thank our Department Heads and staff for their continued hard work to provide high quality services to our community and for their commitment to evolving to meet the continuous challenges required to make the Town of Sparta successful. The Town is operating with a clear plan of maintaining fiscal strength and stability.

Respectfully submitted,



Ryan E. Wilmoth  
Town Manager