

**TOWN OF SPARTA, NORTH CAROLINA**  
**FISCAL YEAR 2023-2024**  
**BUDGET MESSAGE**



Wes Brinegar, Mayor

**TOWN COUNCIL**

Mike Parlier, Mayor Pro Tem

John Brady

Cole Edwards

Terry McGrady

Milly Richardson

MAY 2, 2023

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RYAN E. WILMOTH, MANAGER

## **INTRODUCTION**

May 2, 2023

The Honorable Mayor and Sparta Town Council Members

Dear Town Council Members,

The past few budget cycles have been extraordinary and challenging. Fiscal year 2021 and 2022 were dominated with the unknowns associated with the COVID-19 pandemic, and fiscal year 2023 demonstrated near record high inflation and unprecedented supply chain shortages. Though the times were trying and required resiliency to purpose at every level, it was also an opportunity to identify opportunities for growth and improvement as well as demonstrate our strengths as a team. Through the past two budget cycles we've had the unexpected opportunity to evaluate our priorities and strategies to ensure they offer value to our citizens and are effectively achieving our organizational purpose. It is abundantly clear to me that our organization is powered by a dedicated staff that embraces and illustrates the value of one team and one purpose- with that purpose simply being **service to our community**.

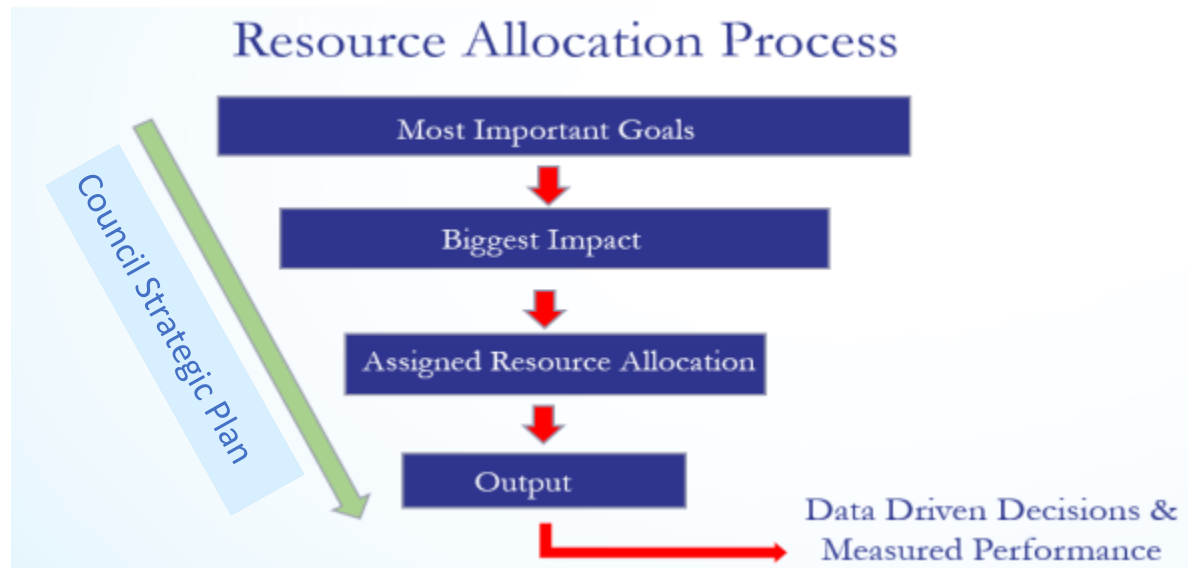
During the last 12 months, the Town has made significant progress with critical infrastructure improvements that will undoubtedly have positive long-term impacts on our community. This progress did not occur simply by chance but is rather a testament to the planning and long-range vision of the organization and the Town Council. As we celebrate our success, we acknowledge the work that remains to be completed with capital improvement, organizational, and community needs. 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 27<sup>th</sup> and 29<sup>th</sup>, 2023.

The recommended FY 23-24 budget focuses on delivering tangible results in a continually evolving climate. With this recommended plan, we propose to continue the strategic efforts of addressing critical infrastructure issues that are a result of deferred maintenance, enhancing public safety provisions to the community, and remaining focused on maintaining fiscal strength to successfully address emerging community needs. This budget recommendation does acknowledge economic uncertainty, as economic indicators point toward a potential recession coupled with inflation and supply chain shortages persisting, and proposes responsible strategies to help buffer the Town from potential turbulence should an economic cool down result.

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 new issues on the horizon that are not part of current services or the current strategic plan. Although we have effectively transitioned to a post-COVID environment, the global economic impacts that resulted from the pandemic continue to evolve. 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.

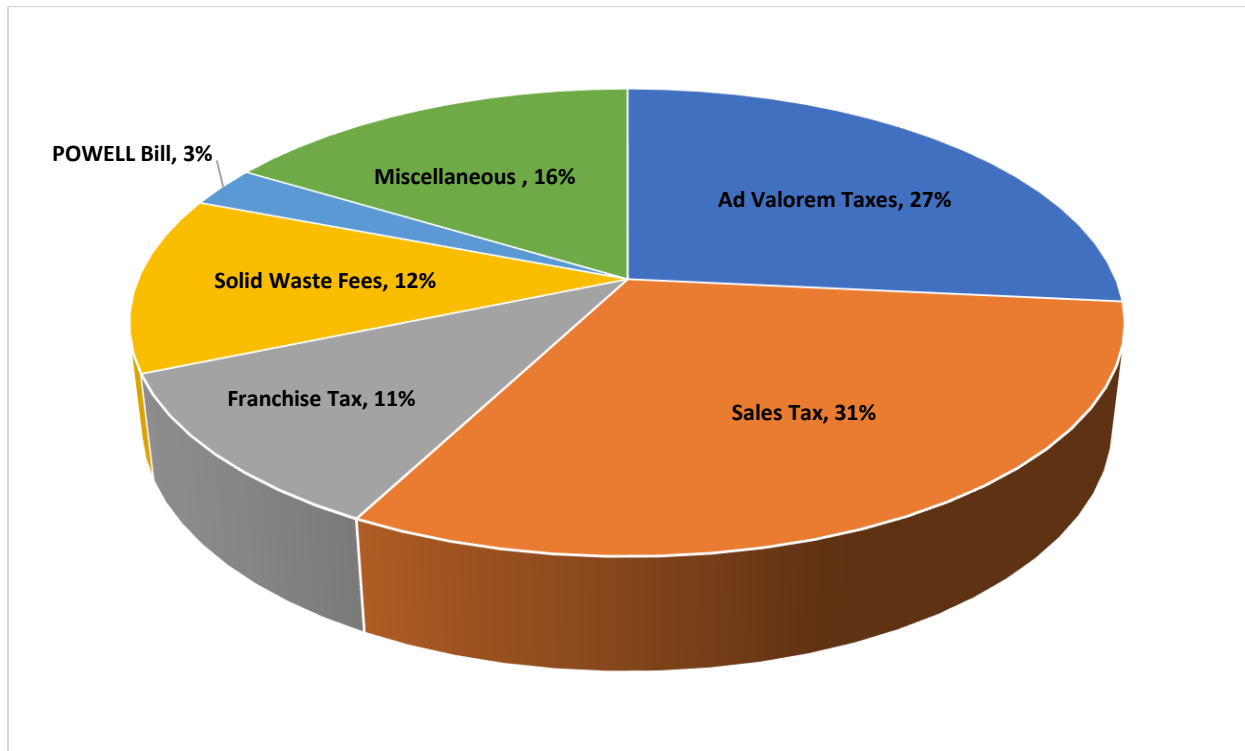
The FY 22-23 recommended budget is highlighted with intentionality to continuous improvement and refinement of strategies and services to align with organizational mission and values. As the recommended budget was developed, careful attention was given to maintaining balance of organizational performance, long range plans, and investment into our most important capital, human capital.

## FY 23-24 GENERAL FUND BUDGET OVERVIEW

The proposed budget for the fiscal year 2023-2024 General Fund of \$3,043,045 is balanced assuming a flat property tax rate of 39-cents per \$100 of property valuation and a strategic fund balance appropriation of \$250,000 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 22-23 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 22-23 are anticipated to be under budget. The FY 22-23 budget did see a strategic draw down of the fund balance in the amount of \$100,000 for the purpose of providing a fiscal buffer during completion of on-going capital projects. Based on current year-end revenue and expense projections for FY 22-23, 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 \$2,543,045- an increase of \$584,440 or approximately 30% increase from the prior fiscal year budget. See below for detailed descriptions:



## Sales Tax

The Town of Sparta has continued to experience substantial growth in sales tax over the past three fiscal years. Performance in this key area of revenue has maintained sales tax as the leading revenue source for the Town for the second year in a row. With the increase in economic vibrancy both locally, Article 39 & 42 (point of sale), and state wide, Article 40 (per capita), projected to continue, the FY 23-24 budget contains a 15% increase in overall sales tax which equates to a net increase of approximately \$100,000 over the prior fiscal year.

## Ad Valorem Tax

Property tax continues to be steady source of revenue for the Town. FY 22-23 was a transitional period for tax collection due to the town resuming this responsibility in-house. Internal tax collections have mirrored that of the previous outsourced efforts, maintaining above 98% collection rate.

Growth in both residential and commercial property, which picked up in the pandemic environment, is continuing to occur within the town's jurisdiction. Feasibility permits issued in current year demonstrate a mix of new construction and renovation/remodel of existing properties. Of particular significance is the expansion of industrial space for NAPCO and Tri-State Components. With internal tax collection efforts proving effective and development occurring, FY 23-24 contains a projected net revenue of \$50,000, or approximately 8%, over prior year revenue with a 98% collection rate. The FY 23-24 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

Many factors such as policy change, consumption behavior, and weather pattern changes, have impacted performance of this revenue source over the past couple of fiscal years. With COVID mandates no longer impacting public utilities and electric utility rates increasing over the last 12 months, there was optimism that revenues would exceed those experienced prior to the pandemic. However, legislation contained in the NC House of Representative budget bill looks to reduce the taxes generated from this source. If passed into law, the tax rate will be incrementally adjusted downward over the next five years to a base rate of \$1.00 per \$1,000 of income.

## Powell Bill Allocation

The Powell Bill revenue for FY 23-24 is projected to align with the previous fiscal year projections. Current 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 action paired with the sustained population level within town limits is responsible for this continued level of funding. With the town receiving state allocations to address much needed roadway improvements, the town can begin to focus on infrastructure needs for other types of transportation, namely pedestrian traffic within the down town area. The town has two sidewalk expansion projects that are construction ready located on East Doughton Street and West Cheek Street. These projects would begin a phased approach to expanding the walkability of our community and promote a more pedestrian friendly environment. As such, the recommended budget includes an overall expense appropriation from the Powell Bill fund in the amount of \$200,000.

### Solid Waste Fees

Fiscal year 2023 was also a transitional year for collection of solid waste. Unforeseen expenses with capital highlighted the year which resulted in expenses outperforming revenue. FY 23-24 provides an opportunity to reevaluate service provisions with a more comprehensive understanding of the community needs than we had in the previous budget cycle. However, it must be noted that FY 23-24 will also be a transitional year due to a change in practice with disposing of waste at the County level. The recommended budget for solid waste is developed on the most current data available at this time to incorporate the County change of practice, explained below, going forward.

The FY 23-24 recommended budget includes a residential rate increase for collection of \$5.00, for a fee of \$15.00 per month for service of up to two (2) 96-gallon receptacle(s). Commercial waste disposal at the landfill has historically been collected by the County through a fixed monthly charge accessed directly to the commercial waste customer. Effective July 1, 2023, the County will begin billing the waste hauler directly on a per tonnage basis of \$75.00 per ton and eliminate the direct commercial waste customer charge. In short, this will transfer the expense of disposal and the burden of bill calculation and collection to the Town (waste hauler). In an effort to establish an equitable fee schedule for commercial customers, the EPA volume to weight conversion table was utilized to determine average weights per container size. The average weight was then multiplied by the number of pickups that occur each month and the base fee of \$75.00/ ton, which is equal to the charge the Town will pay for disposal. Overall, there was a 293% increase for commercial dumpster customers. Considering both fee schedule adjustments, with a year one of five allocation to capital reserve funding for a replacement solid waste truck, there is a projected net zero revenue for FY 23-24.

### Miscellaneous Fees

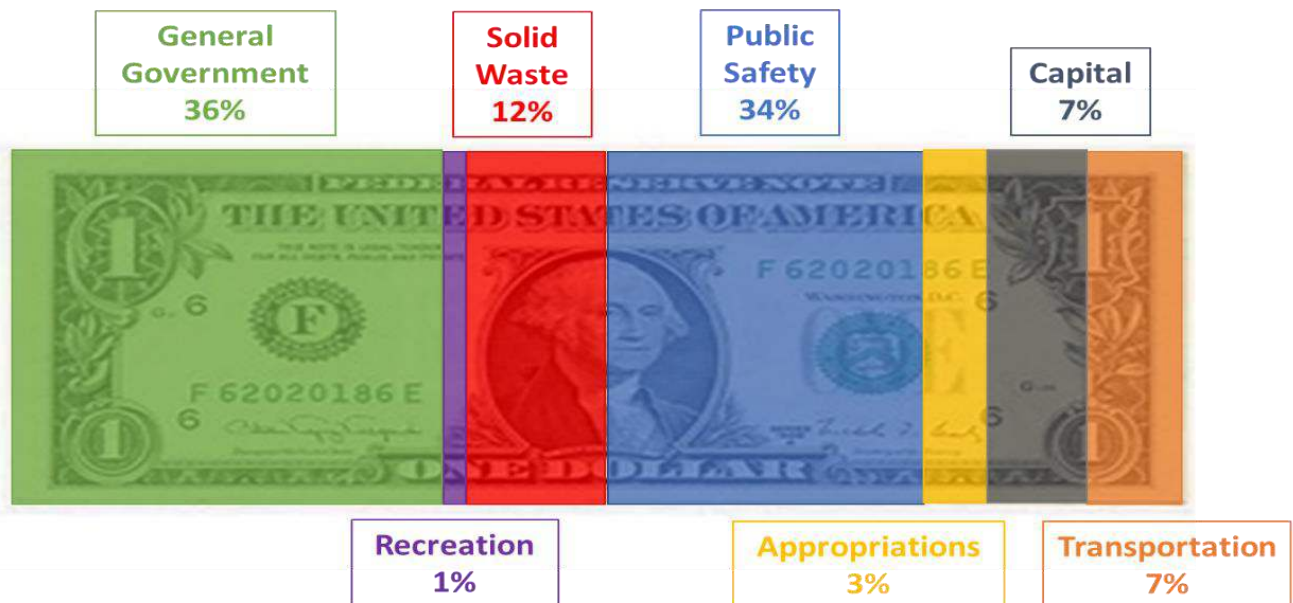
With the Crouse Park Expansion and Improvement project complete, the town now has a renovated pavilion area that includes a picnic and concession area that can be utilized for community and private events. Outdoor venues gained a reignited interest during the pandemic which is projected to continue well into the future. As a mechanism for recapturing upfront costs associated with the park improvements and income that can be reinvested for future maintenance and capital needs, it is recommended to establish a \$50 fee for use of the shelter and a \$100 fee

for use of the shelter and concession area. An additional space that has been historically underutilized as event space is the Farmers Market facility. While the use of the space will remain for the purpose of providing the community with a farmers’ market, this facility would allow for larger events that the other park venues cannot accommodate and is available most days with the exception of Saturdays. It is recommended a fee for this facility be established at \$250 for a full day. Additionally, the Crouse House provides a great indoor venue for community events. With the increased utilization of this facility, cost of maintenance and utilities have risen so an increase in fee for rental of \$75 is recommended.

As growth and development in the town continues in the post pandemic setting, applications for zoning and development related items also continue to increase. These services require investment of staff hours that are currently not being captured in the associated fees for services. FY24 recommends a fee increase for feasibility permits to a flat rate of \$100, establishing a new fee for rezoning and variance applications of \$250, and a new fee for development plan review of \$100 per plan set reviewed.

### 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. The main expenses for the Town general fund are detailed below:



## Public Safety

The Town Council's commitment to safety for the community is most evident by the continued 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. Officer safety is a cornerstone for the Town Council's investment in this area. Ensuring the Police Department is both adequately staffed and has the necessary equipment and technology is imperative to protecting our officers and allows them to focus more on providing a higher level of service. 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. This position completes the initial step in a two-phase approach to achieving the town staffing goal of having two officers on-duty 24 hours per day. Additionally, the recommended budget includes software subscription costs for newly purchased body worn cameras and criminal activity databases for investigative activity. Also included in the recommended budget is the first installment of the Enterprise Fleet Management program which will modernize our fleet with six new reliable, safe pursuit related vehicles. The total recommended department budget for public safety in FY 23-24 will see a departmental increase of sixteen percent (16%) over last year.

## Human Capital

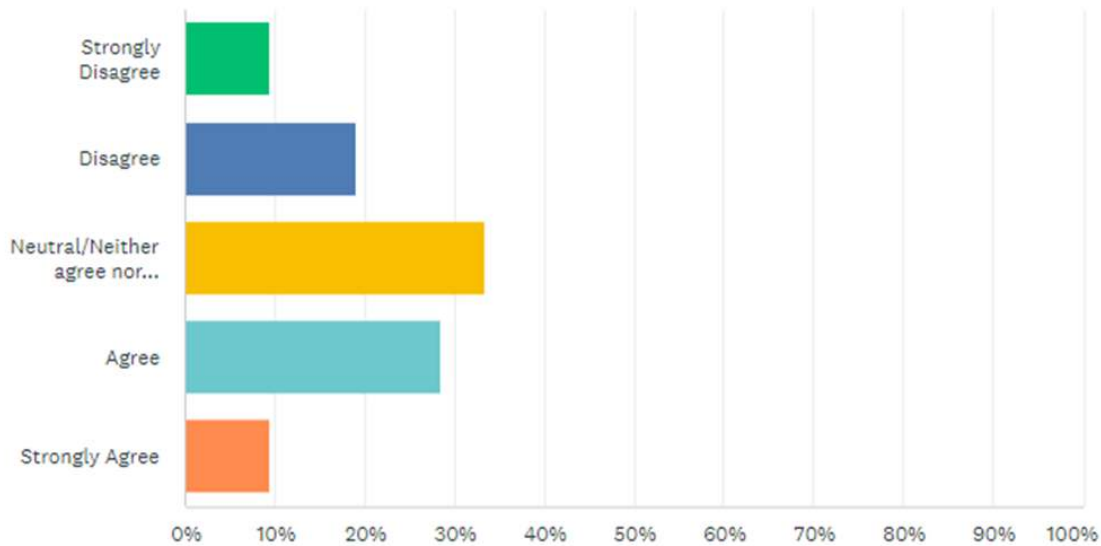
The Town of Sparta acknowledges our employees as our greatest asset and has made solid strides in investing in our human capital over the last two fiscal years. The realization that our employees are the life blood of our ability to provide the highest quality of services to our citizens paired with the continued 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. In a market where local government is competing with private sector for a shrinking talent pool, it is essential that the town maintain a competitive edge for both recruitment and retention of high performers.

To better understand the needs of our employees so that the town can strategically make investments in key areas, an employee survey was conducted. The survey had 100% participation among current full-time employees and revealed needed investment in both overall compensation and the benefits package offered by the town.



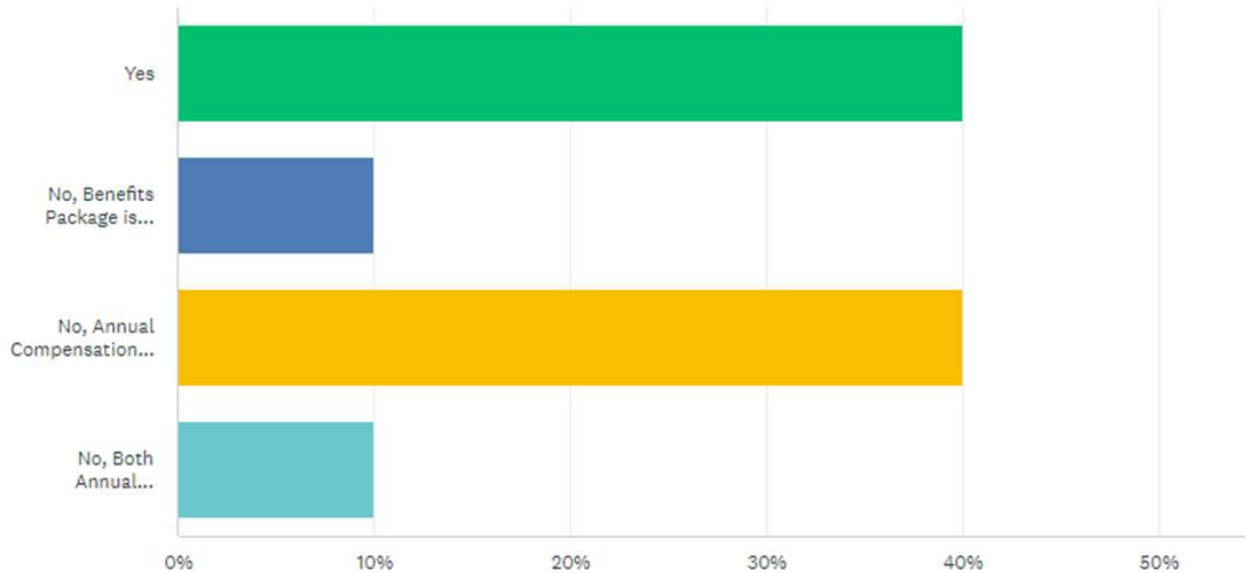
### I am satisfied with my total benefits package. ...

Answered: 21 Skipped: 0



### Overall, I feel my annual compensation and benefits package are adequate for my position.

Answered: 20 Skipped: 1

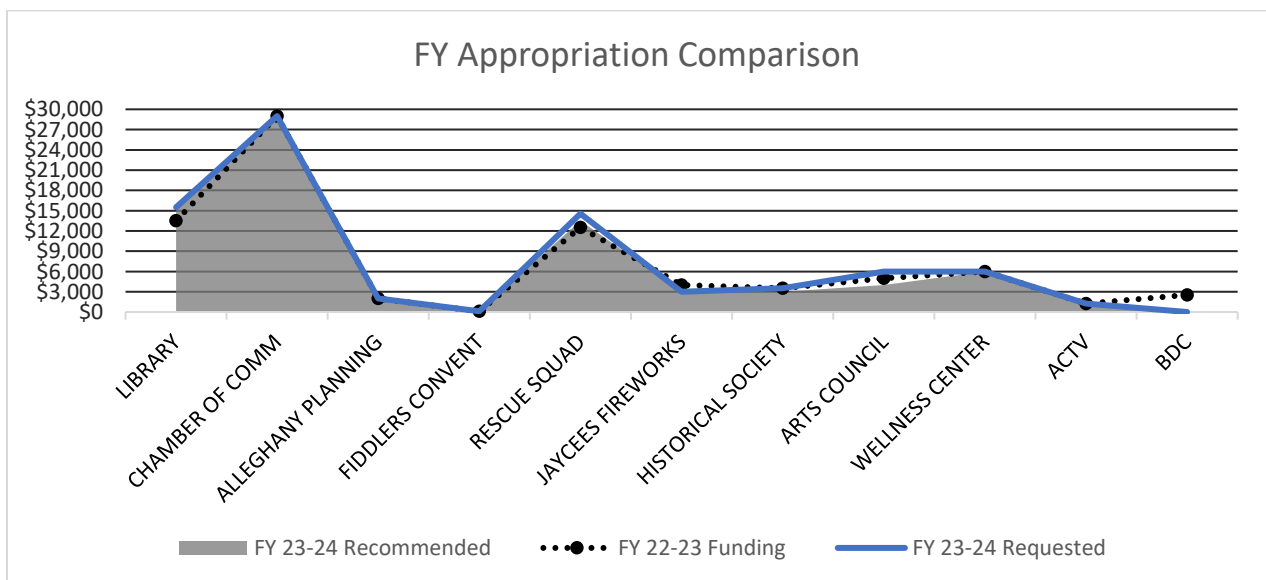


Being mindful of employee perceptions to pay, which is comprised of compensation and benefits, and the current reality that inflation is a huge factor impacting our employees, a cost-of-living adjustment (COLA) of three percent (3%) is included in the FY 23-24 budget. To reward performance and engage staff to execute their duties at the highest possible level, included in the budget is a merit increase of up to two percent (2%), dependent upon the results of an employee's annual performance evaluation. In an effort to promote employee retention and long-

term dedication to the organization, continuing the longevity payment of one percent (1%) is recommended. Lastly, FY 24 will see the largest investment in personnel with a transition in retirement plans for general employees. The Town has elected to enroll all general staff into the Local Government Employee Retirement System (LGERS), as well as transition the current money market pension plan to a 401(a) plan with an employer contribution. Total retirement contribution for general staff for FY 24 is 14.75%, compared to an average contribution of seven percent (7%) under the previous structure. The town will also see an increase of one percent (1%) in law enforcement retirement contributions to LGERS for a total town contribution of 19.01% per officer. Comparatively, the recommended FY 24 budget over last fiscal year demonstrates an investment in personnel in the amount of approximately \$200,000, which positions the town to be highly competitive in the employment market.

### 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, Allegheny Community Television (ACTV) and Allegheny Wellness Center 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 \$2,000 in addition to its current funding as requested, Allegheny County Rescue Squad receive an increase of \$1,000 in addition to its current funding (\$1,076 less than requested). It is also recommended the Allegheny Arts Council receive an appropriation of \$4,000 (\$1,000 less than current and \$2,000 less than requested), and Allegheny County Historical Society receive an appropriation of \$3,000 (\$500 less than requested). The Blue Ridge Development Center did not request an appropriation for FY 24. Total community partner support equates to an amount of \$77,350 or three percent (3%) of the total budget.



## 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 23-24 with a focus on increasing public safety, as discussed earlier, continuing to make solid strides in addressing deferred maintenance to assets and property, and investing in our human capital. Building on the momentum of recent community centered improvements, additional funds to enhance the town cemetery, address necessary repairs to town parking lots, facility upgrades to Crouse Park, and providing dependable Wi-Fi access for Crouse Park and the Farmers Market have been recommended.

Also included in FY 23-24 is funding from NC OSBM for earthquake recovery in the amount of \$500,000 for the purpose of completing work on damage to the vestibule area of Town Hall. Preliminary engineer studies have identified the need for stabilization of the front vestibule area and current construction plans are being drafted for the necessary repairs.

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

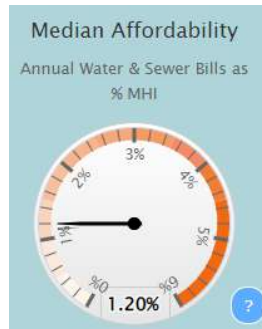
The recommended Enterprise Fund budget for fiscal year 2023-2024 is balanced and essentially maintains the current level of operations and service, adjusted for current economic conditions. FY 22-23 has magnified the towns dependency on a single consumer, as this largest consumer has been operating unpredictably over the last 5 months. Revenue dependency on this single user, which is a manufacturing industry, further demonstrates the need for revenue diversification now so that in the event this user closes, the town is not subjected to radical reactivity to sustain operations. The total proposed FY 23-24 balanced budget of \$1,710,727 allows us to strategically maintain our current level of service as we respond to continued community needs in an evolving environment.

### **Budgeted Revenues**

The FY 23-24 revenue is projected to increase slightly by four percent (4%) over the past fiscal year. FY 22-23 revenue are performing slightly under levels 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 five percent (5%) for water and sewer services. Based upon the minimum usage of 2000 gallons, the monthly charge for

customers inside the corporate limits would increase by one dollar and sixty-two cents (\$1.62), to \$34.04. Rates outside the corporate limits are recommended to increase by ten percent (10%) for water and sewer services. Based upon the minimum usage of 2000 gallons, the monthly charge for customers outside the corporate limits would increase by \$5.46 to \$60.02. In comparison to other utility providers of water services with similar consumer demographics, the Town of Sparta is still percent forty-nine (49%) less than median charges for same level of use with the recommended rate increases. Data compiled by North Carolina School of Government related to utility finance, recommended rates still fall well within the median affordability percentile for our demographics.



The fee schedule for irrigation service will also be adjusted accordingly. Additionally, the cost of providing bulk water for commercial and recreational usage is directly impacted by rate structure changes that will be realized through the Authority in FY 24. As such, bulk water purchase is recommended at a flat rate of \$0.05/gallon.

Due to increasing cost of materials, supplies, and fuel, fees associated with installation of water and sewer taps are recommended to increase by \$50 for inside water and sewer taps and \$100 for outside water and sewer taps for FY 23-24.

It is further recommended that the Town eliminate the bulk water discount that was instituted for users maintaining an average consumption of greater than 1,000,000 per month. With a transition in formulating charges for water purchased from the Virginia-Carolina Water Authority (VCWA), continuation of this discount is no longer financially sustainable.

The third 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 23-24.

### Budgeted Expenses

The enterprise fund expenses for FY 23-24 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 three fiscal years have been tightly controlled as we continue to navigate post pandemic economic impacts and continued supply chain shortages and record level inflation. Intentional spending with prioritization of resources is continued in practice during development of the FY 23-24 recommended budget.

## Fixed Fees and Debit Service

The largest expense for FY 23-24 is purchasing of water from the Virginia Carolina Water Authority (VCWA). FY 24 will see a transition in the monthly charges for purchased water as these rates were previously fixed but will now be based on a per gallon basis. Projections of water purchase costs for FY 23-24 are based upon historical consumption and annual growth figures. This year's cost of \$350,000 is slightly increased by two percent (2%) from prior year as VCWA is anticipating an increased operational budget which will impact the per gallon rate. The recommended rate increases support covering this cost increase.

The Town will make its third 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 third 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 recommended FY 23-24 budget is a focus on capital expenditures and improvements. A continued commitment to appropriating funds to the capital project restricted fund, enhancing technological capacities for both water and wastewater assets, 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 23-24 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 \$549,116 that were received from the American Rescue Plan Act during FY22 and FY23 will be utilized in FY24, entirely, in compliance with Federal Treasury and Office of Budget Management rule. The Town has elected to take the Standard Allowance option for expenditure of these funds.

A priority capital project that will occur in FY24 will be replacement of the Bledsoe Creek Interceptor Line. This line segment is the source of significant inflow and infiltration into the sanitary sewer system and is responsible for some of the increased maintenance issues at the wastewater facility. While the bulk majority of the project will be paid for through state appropriated ARPA funds, the current economics of construction have resulted in a projected funding shortfall in the amount of approximately \$300,000. An appropriation from the Enterprise Fund balance or capital project restricted account in this amount is recommended in order to complete the project.

Also, approximately \$4 MM of the \$7MM State Capital Improvement Funds (SCIF) received from the state budget will continue to be available for Roadway Improvements project. This project is currently under contract which stipulates a 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. The town is currently pursuing additional funding sources for completion of phase II facility improvements which equates to a complete overhaul and redesign of the treatment plant in the amount of \$10MM.

Lastly, the Asset Inventory and Assessment (AIA) grant funding for Water and Wastewater that were initiated in FY 22 are anticipated to conclude in early FY 24. 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.

### **CONCLUSION**

The 2023-2024 Fiscal Year Budget will continue to provide our residents and guests with a full scope of high-quality services. The town has been resilient in the face of unprecedented times experienced during the pandemic, accomplishing several key projects that will have long lasting impact; however, we must remain committed to our purpose as many indicators point to economic turbulence ahead. 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