



Town of Forest City - Manager's Recommended Budget FY25 (July 1, 2024 - June 30, 2025)

INTRODUCTION

The purpose of this budget message is to provide the citizens of Forest City, the Board of Commissioners, and Mayor Holland the major features of the budget as it relates to the Town's operations and services to our citizens and other stakeholders. The FY25 manager's budget recommendation is presented to the Board of Commissioners for your consideration and approval.

Core essential services have been prioritized in this budget recommendation with limited capital expenditures in the General Fund, including the Parks and Recreation Fund. As in recent years, several factors continue to drive rising expenditures, including:

- Mandated employer contribution increases for pension plans, the State Health Care Plans, and Workers' Compensation
- Increased costs of materials, supplies, and contracted services

The FY23 budget included a significant increase to the property tax rate as the Town's historical reliance on transfers from the Enterprise Funds to supplement the General Fund was not sustainable. While the property tax rate of \$0.59 per \$100 valuation increased revenue to the General Fund, a funding gap between General Fund revenue and General Fund expenditures remained that was covered by the ARPA funds, which have been expended.

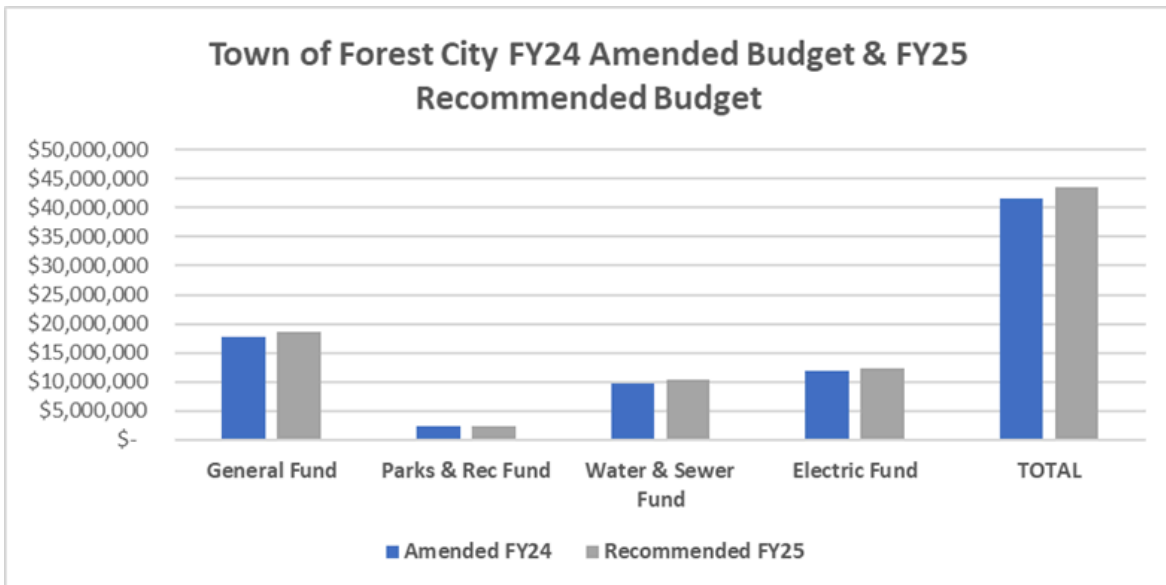
The FY24 property tax rate of \$0.59 per \$100 valuation yielded an increase in General Fund revenue due to growth in the Town's tax base assessment in the 2022 Rutherford County property revaluation. However, the FY24 budget also included a transfer from the Electric Fund to the General Fund as the growth in General Fund revenues were still not anticipated to cover all General Fund expenditures.

For the first time in many years, the recommended budget does not include a transfer from the Electric Fund to the General Fund/Parks & Recreation. However, a fund balance appropriation from the General Fund is required to present a balanced budget. This appropriation is possible due to the FY24 Sales Tax revenues that have exceeded the FY24 budget projection of \$2,173,000.

A property tax rate of \$0.59 per \$100 valuation has been used to calculate this budget recommendation. The net value of one cent of property tax at \$0.59 per \$100 valuation, after economic incentives and applying the collection rate of 99.32%, is estimated to be \$86,776.

The Town’s budget comprises four major funds shown in the tables below. The recommended budget reflects an increase of 4.7% over the prior year’s amended budget.

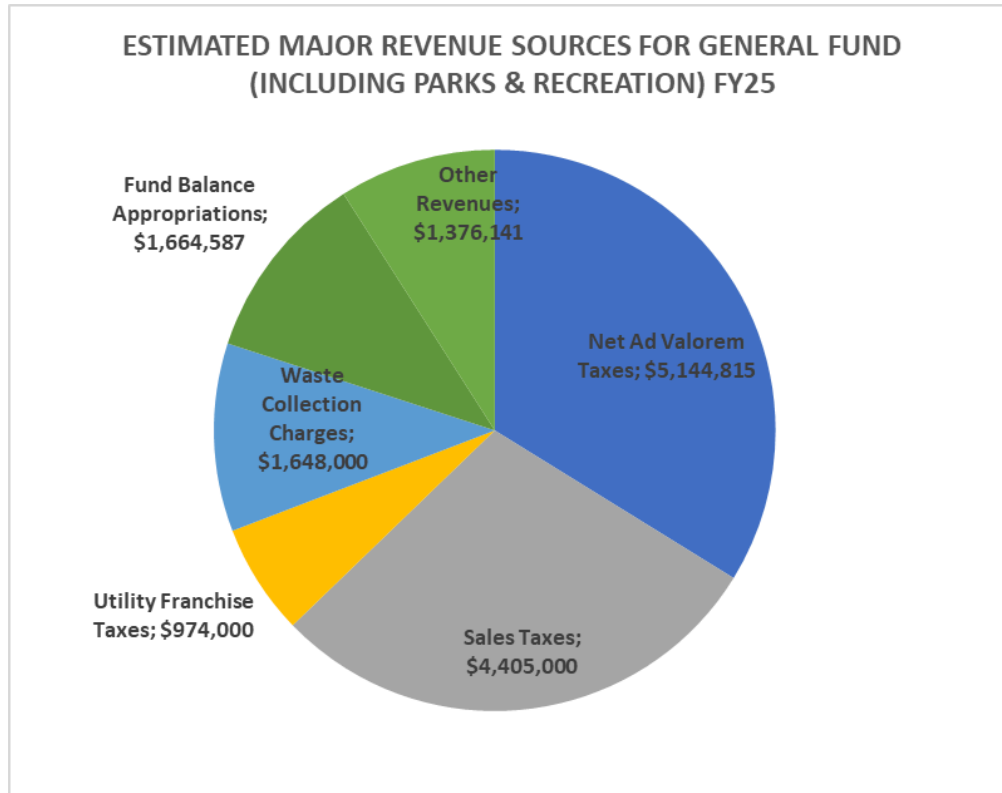
TOWN OF FOREST CITY FY24 AMENDED & FY25 RECOMMENDED BUDGET		
	Amended FY24	Recommended FY25
General Fund	\$ 17,671,289	\$ 18,618,092
Parks & Rec Fund	\$ 2,282,806	\$ 2,381,625
Water & Sewer Fund	\$ 9,673,640	\$ 10,335,312
Electric Fund	\$ 11,958,500	\$ 12,240,096
TOTAL	\$ 41,586,235	\$ 43,575,125



GENERAL FUND (INCLUDING PARKS & RECREATION)

Revenue Summary:

The major revenue sources of the General Fund are shown in the charts below.



GENERAL FUND HISTORY OF MAJOR REVENUE SOURCES							
	FY20 Actual	FY21 Actual	FY22 Actual	FY23 Actual	FY24 Budgeted	FY24 Estimated	FY25 Preliminary
Ad Valorem Taxes	\$ 5,561,057	\$ 5,027,500	\$ 4,809,240	\$ 9,033,252	\$ 10,886,444	\$ 10,192,666	\$ 10,214,951
Economic Incentives	\$ (3,678,500)	\$ (3,089,087)	\$ (2,843,661)	\$ (5,003,247)	\$ (5,003,247)	\$ (4,963,512)	\$ (5,070,136)
Net Ad Valorem Taxes	\$ 1,882,557	\$ 1,938,413	\$ 1,965,579	\$ 4,030,005	\$ 5,883,197	\$ 5,229,154	\$ 5,144,815
Sales Taxes	\$ 2,070,367	\$ 2,536,872	\$ 2,466,925	\$ 2,809,641	\$ 2,653,000	\$ 4,474,013	\$ 4,405,000
Utility Franchise Taxes	\$ 881,009	\$ 861,023	\$ 876,264	\$ 885,312	\$ 885,000	\$ 1,021,179	\$ 974,000
Waste Collection Charges	\$ 1,272,084	\$ 1,333,015	\$ 1,369,876	\$ 1,440,584	\$ 1,515,000	\$ 1,570,431	\$ 1,648,000
Transfers from Electric	\$ 3,950,600	\$ 3,216,490	\$ 6,095,169	\$ -	\$ 462,323	\$ -	\$ -
Fund Balance Appropriations	\$ 1,507,875	\$ 2,068,755	\$ -	\$ -	\$ 62,565	\$ -	\$ 1,664,587

Property taxes are the largest source of revenue to support all essential functions of the General Fund/Parks and Recreation. The Town of Forest City contracts with the County for property tax assessments, billing, and collection. The Rutherford County Revenue Department estimates that the Town's Ad Valorem tax base for FY25 will be approximately \$1,738,537,322. Property tax revenue estimates at the current property tax rate of \$0.59 per \$100 valuation, after applying the collection rate of 99.32%, would result in \$10,189,951 Ad Valorem revenue for the Town.

C04 - Town of Forest City	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
AS OF 03/27/24	Actual	Actual	Actual	Actual	Estimate
Real Property	864,302,382	866,845,957	871,929,652	1,076,153,614	1,088,686,012
Less Homestead & DV Exclusions	(8,815,666)	(8,509,666)	(8,277,366)	(11,521,036)	(11,036,936)
Less Exempt	(106,243,713)	(106,295,699)	(114,920,906)	(130,256,115)	(134,739,766)
Less Present Use Value (deferred)	(840,874)	(709,214)	(715,368)	(659,202)	(775,602)
Subtotal Real Taxable Value	748,402,129	751,331,378	748,016,012	933,717,261	942,133,708
Personal Property	977,904,456	871,093,203	693,283,904	708,053,902	709,262,092
Public Utility Values	34,417,349	33,377,331	32,067,153	30,575,808	29,047,465
DMV Value	40,691,373	41,062,258	54,985,016	58,094,057	58,094,057
Subtotal Personal Taxable Value	1,053,013,178	945,532,792	780,336,073	796,723,767	796,403,614
Total Net Taxable Value	1,801,415,307	1,696,864,170	1,528,352,085	1,730,441,028	1,738,537,322
	-10.8675%	-6.1614%	-9.9308%	13.2227%	0.4679%

Rutherford County Revenue Department

After an economic incentive grant in the amount of \$5,070,136 is paid, \$5,119,815 will remain to cover all other General Fund services. These services include providing police and fire protection, operating and maintaining the Mooneyham Library and all Town parks and recreation facilities, maintaining two cemeteries, town streets and sidewalks, providing leaf, limb, and rubbish collection, and many other services to citizens and visitors.

Although the General Fund revenue has grown as a result of factors discussed previously, the increase has been sufficient to cover the cost of General Fund services that were previously covered by the Enterprise Fund transfers to the General Fund for many years. (Example: The FCPD budget of \$4,117,013 equals \$0.474 of property tax revenue.)

Sales Tax and Utility Franchise Taxes are an additional source of General Fund revenue. A brief history is shown in the charts below.

GENERAL FUND HISTORY OF STATE COLLECTED TAX REVENUE							
	FY20 Actual	FY21 Actual	FY22 Actual	FY23 Actual	FY24 Budgeted	FY24 Estimated	FY25 Preliminary
Sales Taxes	\$ 2,070,367	\$ 2,536,872	\$ 2,466,925	\$ 2,809,641	\$ 2,143,000	\$ 4,474,013	\$ 4,405,000
Utility Franchise Taxes	\$ 881,009	\$ 861,023	\$ 876,264	\$ 885,312	\$ 885,000	\$ 1,021,179	\$ 974,000

Sales taxes are collected by the State and distributed to local governments each month. Projections for state-collected local government tax revenues are provided by the NC League of Municipalities and have

been utilized in this budget recommendation to estimate preliminary FY25 revenues. The total revenues from the four articles of Sales Tax for FY25 are estimated to be \$4,405,000, a projected 1% increase from the prior year’s estimates.

Utility Franchise Taxes for piped natural gas, electric, telecommunications, and video programming are estimated to decrease to \$974,000.

Other General Fund/Parks & Recreation revenues include ABC profit revenue, Powell Bill allocations, and building permit revenues. However, these revenue sources are restricted to certain expenditures in the General Fund.

Rates & Fees:

Appendix A includes a list of all rates and fees for Town departments.

- The Town contracts with Republic Services for waste collection and recycling, which includes automatic annual increases based on the Consumer Price Index(CPI) for the trash collection services category. The contracted rate with Republic Services will increase by 5% in this budget. The average customer rate for curbside carts will increase from \$23.78 to \$24.97 per month.
- The County FY25 budget includes several proposed increases for solid waste fees. The MSW tipping fee would increase from \$74 to \$76 per ton. The recycling fee would increase from \$8 to \$13. If passed, this will increase the Town’s landfill expenditures in the Sanitation budget.
- The police officer security fee is increasing from \$40 per hour to \$50 per hour. This fee applies to clubhouse rentals that include alcoholic beverages and other events requiring security.

Fund Balance Summary:

The chart below shows a six-year history of fund balance and the amount available for appropriation each year.

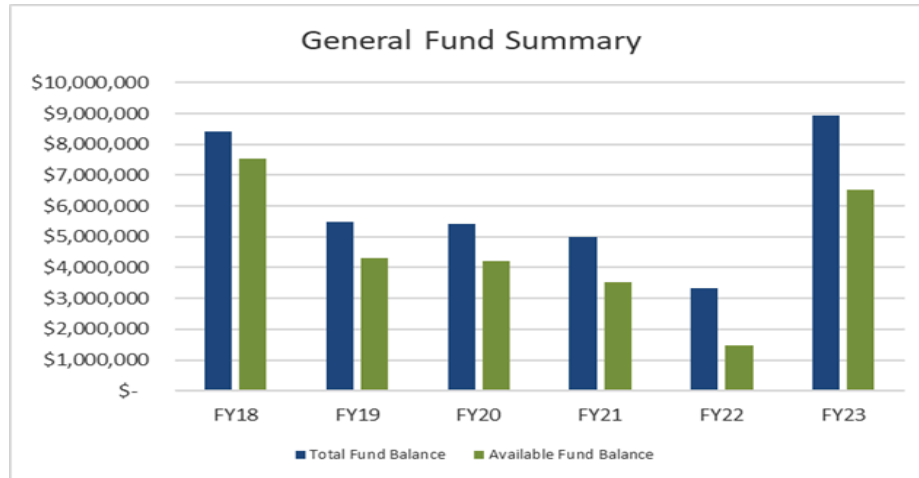
General Fund Summary						
	FY18	FY19	FY20	FY21	FY22	FY23
Total Fund Balance	\$ 8,426,632	\$ 5,469,635	\$ 5,404,915	\$ 4,978,564	\$ 3,316,958	\$ 8,924,968
Available Fund Balance	\$ 7,524,400	\$ 4,295,260	\$ 4,208,609	\$ 3,514,166	\$ 1,475,145	\$ 6,513,928

It shows an increase in the FY23 fund balance due to the receipt of ARPA funds for governmental services, a higher transfer from the Electric Fund in FY22 for repayment of the Water & Sewer transfers, and the reduction of all capital projects in the General Fund, including Parks & Recreation.

Fund balance available for appropriation of \$6,513,928 shown in the chart above, would cover approximately 6 months of operations or 50% of the \$12,729,868 in expenses for that fiscal year. The Local Government Commission recommends at least 25% fund balance available for appropriation for

unforeseen emergencies. During FY22, that percentage dropped to 8% and resulted in the Town being placed on the LGC Unit Assistance List.

The FY25 recommended budget includes an appropriation of \$1,664,587 fund balance to present a balanced budget. This appropriation will fund projects and equipment that were delayed in FY24.



Interfund Transfers:

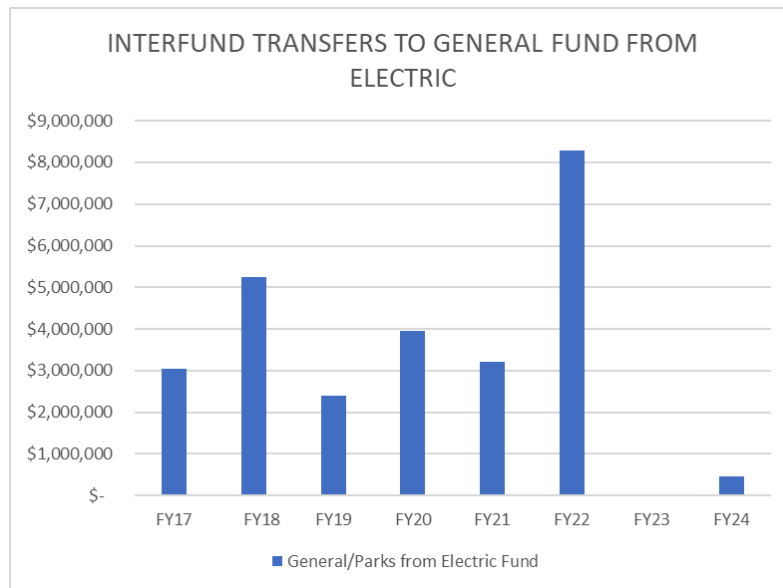
As described earlier, the Town relied on transfers from the Enterprise Funds to supplement the General Fund for many years. Over the last decade, this practice was discouraged by the Local Government Commission and by legislative changes limiting eligibility for low interest loans and grants. Ultimately, it is recommended that the Town eliminate all transfers from the Electric Fund and that the General Fund show a balanced budget that does not rely on transfers as a revenue source.

Transfers from the Water and Sewer Fund were eliminated effective June 30, 2014. The elimination of transfers from the Water and Sewer Fund has qualified the Town for State grants for major water and sewer infrastructure improvements to the Town's aging system.

The FY23 budget included a transfer from the Electric Fund to the General Fund of \$3,500,000. The receipt of American Rescue Plan Act (ARPA) Funds and the ability to use those for "Revenue Replacement", along with departmental budget reductions, allowed the Town to operate the General Fund without those transfers. The FY24 budget included a transfer from the Electric Fund of \$462,323, however, it is estimated that those funds will not be needed due to conservative estimates of sales tax and utility franchise tax revenues. No transfers from Enterprise Funds will be recommended in the FY25 budget.

The chart below shows a brief history of transfers between Town funds.

	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
General/Parks from Electric Fund	\$ 3,038,973	\$ 5,256,749	\$ 2,387,240	\$ 3,950,600	\$ 3,216,490	\$ 8,277,354	\$ -	\$ 462,323
General/Parks from ARPA Fund							\$ 2,282,511	



NOTE: Transfers from the Water & Sewer Fund were discontinued after FY19 based on recommendations from the Department of the State Treasurer. Although the Town ceased transferring from the Water & Sewer Fund to the General Fund, the transfers that occurred between July 1, 2014 and June 30, 2019 impacted the Town’s ability to apply for grants and low interest financing for water and sewer projects. The ability to apply for these grants or low interest loans is critical to the Town’s ability to implement projects to replace and improve aging infrastructure such as water and sewer lines, pump stations, and equipment.

On April 25, 2022, Town Council approved Resolution 716 to Repay Transfers from the Water and Sewer Fund to the General Fund that occurred July 1, 2014 to June 30, 2019. The Town began repayment from the General Fund to the Water and Sewer Fund of \$5,815,715 over 20 years of \$292,585.75 beginning in FY23 and ending in FY42.

Expenditure Summary:

Governing Body – The recommended budget includes requests for \$3,000 for Keep Rutherford County Beautiful litter pickup and \$4,000 for Rutherford County Farm Museum for Council’s consideration.

Administrative – The Administrative budget includes the economic incentive grant in the amount of \$5,070,136. This grant is based on a property tax rate of \$0.59 per \$100 valuation.

This budget also includes an estimated \$167,000 to mill and pave the entire parking lot at Town Hall, Garage, and IT buildings. It has been patched and sealed several times over the years and has large areas of unsafe broken asphalt.

Finance – No significant changes are recommended in this budget. However, the FY26 budget may include an increase in contracted services for implementation of a new accounting system. The current system, which includes payroll and utility billing/collections, is outdated and needs to be replaced.

Warehouse and Garage – No significant changes are recommended. Upgrades to the fuel tanks were made during the FY24 budget.

Public Works Buildings – No significant changes are recommended.

Forest City Police Department - This budget recommends \$171,000 to purchase three patrol SUV’s at an estimated \$57,000 each, including upfit. The increase in the budget amount per vehicle is due to the removal of sedan models by manufacturers.

Forest City Fire & Rescue – This budget includes the following recommendations:

- \$35,987 Replacement of paratech rescue air bags that are approximately 25 years old with deteriorated rubber. New sets have a higher operating pressure and are used for various emergencies.
- \$12,995 Replacement of Self Contained Breathing Apparatus (SCBA) air bottles
- \$30,000 Concrete repairs on crosswalk in front of the building. Cracked areas are allowing water to leak into the electrical room below the crosswalk and creating a fire hazard.

Town staff will begin gathering information and pricing for a new fire engine to recommend in next year’s budget. The following repairs will also be recommended in the FY26 budget:

- \$60,000 Stripping and recoating all bay floors
- \$34,500 Rebuild the damaged block wall on the corner of Oak Street and S. Church Street. This wall has been hit during vehicle accidents at the intersection several times. The current wall will be removed and rebuilt/reinforced two feet back from current placement. Capstones will be added.

Code Enforcement & Planning/Zoning – This recommended budget includes \$35,000 to purchase a compact truck for the Planner position, which currently shares vehicles with the code enforcement officer and community events staff.

Community Development & Events – A list of events included in this budget is found in **Appendix B**. Marketing staff will continue to reach out to businesses to share advertising and sponsorship opportunities.

- Created in 2017, the Façade Incentive Grant Program encouraged economic growth in the downtown community through restoration and maintenance of the historical attractions in the downtown area. To date, 21 businesses applied for and received façade incentive grants. The grant program was administered by the Explore Forest City Main Street Association (Explore FC) and funded by the Town at an annual cost of \$15,000. Businesses located in the Central Business District were eligible to apply for the grants of up to 50% of allowable costs with a maximum grant award of \$2,500. In FY23, the boundaries of eligibility were expanded to include the following:
 - North Broadway from Main Street to Trade Street
 - North Powell from Main Street to Trade Street
 - Cherry Mountain from Main Street to Trade Street
 - Thomas from Main Street to Trade Street
 - Yarboro from Main Street to Trade Street
 - Trade from North Broadway to Yarboro
- Due to budget constraints, no funds for the Façade Incentive Grant Program have been included in this recommended budget.

Street Dept – The Street Department budget includes the following:

- \$31,706 Hudson 20-Ton trailer to replace the 1973 model that has frame and floor rust.
- \$157,000 Dump Truck to replace the 1994 F700. Parts to repair are hard to find.
- \$41,595 Three mid-mount mowers at \$13,865 each to replace the three 1445 John Deere front mount mowers. These mowers all have over 2,000 hours and issues with drive shaft, steering, and gear box.
- \$13,520 Forest Street drainage repairs to replace pipe and catch basins that will prevent the roadway from collapsing or undermining.
- \$11,800 Reid Street drainage repairs to replace pipe and catch basin box with ADA sidewalk replacement. Pipe is washing out and may collapse.

A full-time employee with CDL has been requested for the street department to assist with leaf/limb/rubbish collection, but is not recommended in the FY25 budget. This position will be recommended when revenue in the General Fund can support additional staff.

Powell Bill – Revenues for Powell Bill are estimated at \$250,000 in this budget. The paving list for FY24 included Forest Street, Conner Street, Dunbar Street, and Shakespeare Drive. Due to cost, only Forest Street was completed and all other streets will move to FY25. The work will be completed as funds allow based on bids. Paving will follow any water or sewer repairs that are scheduled to be completed in the area. Additional General Fund revenue is needed to increase this budget in future years as Powell Bill funds are not sufficient to meet the paving needs that currently exist.

Cemetery – Clearing and grading of a new section at the Cool Springs Cemetery was completed in the FY24. The recommended FY25 budget includes \$15,000 for surveying lots.

Parks & Recreation - Due to the General Fund budget shortfall, no capital projects or equipment purchases were included in the FY24 Parks & Recreation budget.

The FY25 budget includes the following recommendations:

- \$45,000 Replacement truck for the 2011 Ford that has mechanical issues.
- \$28,000 Refinishing tennis court #3. This project was planned for FY24, but was delayed due to budgetary constraints.

There are several general maintenance repairs that will be completed but are not considered capital items. The sewer line from Larry K. Ross Gym to a manhole on Main Street will also be replaced.

Future budgets will include a recommendation to replace the box seats at McNair stadium. The seats are dry rotting and cannot be repaired. The FY26 budget will include a recommendation to replace all carts at the golf course.

After the May 6 meeting, commissioners requested that \$45,000 be added to replace the basketball goals at Larry K. Ross Gymnasium. The goals are in poor condition and can no longer be repaired. Replacements must be custom made due to the size of the court.

The clubhouse needs an overall update with a new roof, flooring, and paint. This facility generates revenue through event rentals from town residents and others outside the municipality. Town staff will apply for grants for capital projects and improvements in Parks & Recreation, including the refurbishment of the clubhouse.

Legacy Soccer Park (LSP) - Construction of the Legacy Soccer Complex began in early 2024. Completion of the Park is anticipated no later than January 2026. The FY26 budget recommendation will include funds to support the operation and maintenance of LSP in conjunction with Rutherford County per the Town's agreement.

Park Square Depot – The Town has actively pursued grants to cover the complete construction of the Park Square Depot to be located adjacent to the Thermal Belt Rail at the Park Square Trailhead. The Depot will replace the existing Farmers Market shelter at 172 Park Square. The Depot will host the Rutherford County Farmers Market, including the winter market. To date, the Town has completed preliminary grading of the site, design of the structure, construction of the adjacent Trails to Tails dog park, and construction of a restroom and storage facility. The following grant funds of \$2,025,000 have been identified for this project:

- \$500,000- 2020 RHI Legacy Foundation grant award
- \$450,000- 2021 NC PARTF grant award
- \$125,000- Rutherford County Tourism Development Authority (TDA); This Tourism Related Capital funding was included in the FY23 TDA budget.
- \$100,000- TDA Community Funds – This appropriation to Rutherford County municipalities for tourism asset enhancement was included in the FY23 TDA budget.
- \$300,000 - TDA Community Funds banked from previous years for this project. \$50,000 per year from FY 2018-2019, FY 2019-2020, and FY 2020-2021; \$150,000 from FY 2021-2022

- \$300,000 – RC-BARN grant from Meta for kitchen
- \$250,000 - Carolina Foothills Foundation Grant

Bids received in March 2024, exceeded the funds available for construction. Council approved engaging in value engineering with Champion Construction and that work is underway.

Debt Service:

Debt service for the General Fund includes \$238,815 as follows:

- \$112,525 for 12 monthly payments for the fire truck purchased during FY20 and financed for ten years. The loan balance as of June 30, 2024, is \$628,391 with a last payment date of June 3, 2030.
- \$126,290 for 12 monthly payments for Enterprise Fleet leased vehicle program that began in FY22.

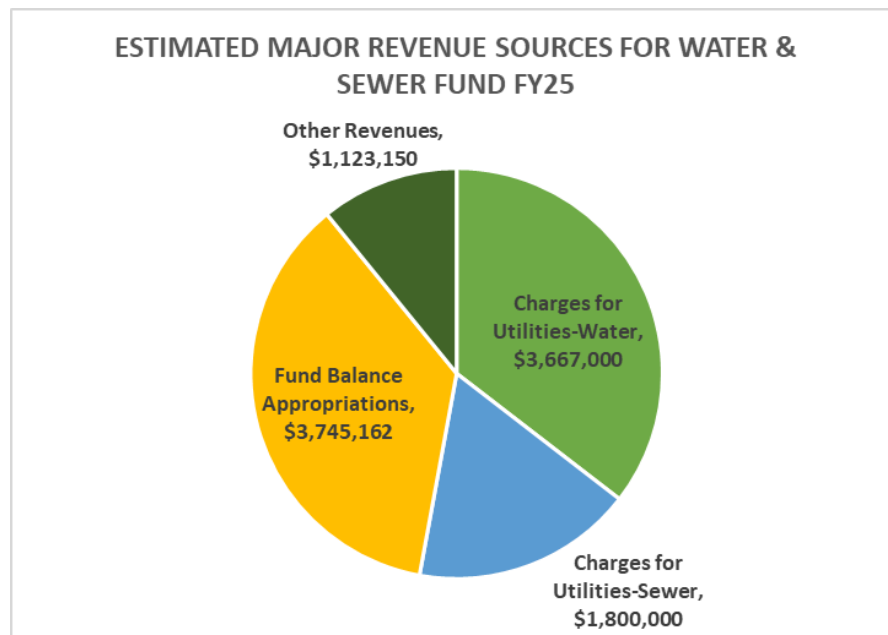
Parks & Recreation – No debt service payments. The final debt service payment on McNair Field was paid in February 2023.

WATER & SEWER FUND

Revenue Summary:

Water & Sewer Fund major revenues come from charges for residential, commercial, and industrial water and sewer utilities. These revenues are used to fund the operating expenses and infrastructure improvements to those utilities. The Town's water rates have remained unchanged since 2008. The base rate for sewer was increased by \$0.75 per month on the minimum charge for 3,000 gallons of usage in 2015. As a result, revenues from water and sewer utility charges have remained flat while operating expenses have continued to increase each year.

Fund balance appropriations are increased to cover infrastructure improvements included in this budget for projects that were not completed in the prior fiscal year. As discussed in the next section on rates and fees, increased revenue is needed to address the rising costs of chemicals to treat water and wastewater and to complete infrastructure improvements.



WATER & SEWER FUND HISTORY OF MAJOR REVENUE SOURCES							
	FY20 Actual	FY21 Actual	FY22 Actual	FY23 Actual	FY24 Budgeted	FY24 Estimated	FY25 Preliminary
Charges for Utilities-Water	\$ 3,429,768	\$ 3,478,376	\$ 3,713,954	\$ 3,613,641	\$ 3,600,000	\$ 3,570,000	\$ 3,667,000
Charges for Utilities-Sewer	\$ 2,009,697	\$ 1,736,378	\$ 1,867,392	\$ 1,760,959	\$ 1,800,000	\$ 1,750,700	\$ 1,800,000
Fund Balance Appropriations	\$ 346,900	\$ 1,670,356	\$ -	\$ -	\$ 3,965,640	\$ 750,000	\$ 3,745,162
Other Revenue & Grants	\$ 327,131	\$ 734,897	\$ 6,192,303	\$ 690,420	\$ 308,000	\$ 429,300	\$ 1,123,150

Rates & Fees:

Appendix A includes a list of all rates and fees for Town departments.

The only recommended rate change for water and sewer rates in this budget is the Resale Water Rate, which has remained at the current rates since 2008. The Town currently sells water to three customers (Town of Bostic, Town of Ellenboro, and Concord Community water systems) that qualify for this rate because they exceed monthly usage of 1,000,000 gallons per month, a minimum of six months each year. The current tiered rates and the recommended rate with only one tier are shown below:

Current Resale Water Rate Schedule
\$4.04 per thousand for first 200,000 gallons
\$3.54 per thousand for next 100,000 gallons
\$2.90 per thousand for next 200,000 gallons
\$2.78 per thousand for next 500,000 gallons
\$2.74 per thousand for all over 1,000,000 gallons

Recommended Resale Water Rate Schedule
\$3.54 per thousand gallons

The Town has reviewed the equipment rate sheet used for work performed and it is recommended to change those rates to cover the increased replacement costs of all Town equipment. Rates will be provided with any quotes for utility work.

The Environmental Finance Center at the UNC School of Government provides a NC Water and Wastewater Rates Dashboard to compare water and sewer residential rates with all other providers in the State of North Carolina.

- Information provided by the dashboard shows the Town's base rate of \$14.95 for 3,000 gallons of usage as the lowest within 25 miles and the highest being \$52.40 for 3,000 gallons of usage. The dashboard also ranked the Town 11th out of approximately 489 providers in the state when comparing water rates from the lowest to the highest in 2022.
- When comparing sewer rates at 3,000 gallons of usage, the Town's base rate of \$15.70 was the lowest within 25 miles and the highest being \$90 for 3,000 gallons of usage. The dashboard ranked the Town 8th out of approximately 416 providers in the state when comparing rates from the lowest to highest in 2022.

A water/sewer rate study is currently underway and will be presented to the Board of Commissioners and shared with the public when completed. Preliminary data indicates the Town will need to implement rate increases to provide for infrastructure improvements of the Town's aging water and sewer system, offset continued rising costs of chemicals used to treat water and wastewater, and to address increased personnel costs.

Enterprise Fund Summary:

The chart below shows a six-year history of working capital and cash flows from operating activities for the Water & Sewer Enterprise Fund.

Water & Sewer Enterprise Fund Summary						
	<u>FY18</u>	<u>FY19</u>	<u>FY20</u>	<u>FY21</u>	<u>FY22</u>	<u>FY23</u>
Working capital	\$ 5,112,930	\$ 5,736,574	\$ 6,680,862	\$ 7,034,616	\$ 8,349,264	\$ 8,134,746
Unrestricted net position	\$ 2,067,011	\$ 2,512,832	\$ 3,211,447	\$ 3,612,510	\$ 10,159,542	\$ 9,961,311
Operating income (loss)	\$ (320,697)	\$ 437,266	\$ 179,574	\$ 535,776	\$ 63,247	\$ (651,509)
Transfers to(from) the General Fund	\$ 3,488,781	\$ 259,245	\$ -	\$ -	\$ (5,851,715)	\$ -
Cash flows from operating activities	\$ 1,027,388	\$ 1,476,808	\$ 1,485,940	\$ 1,791,565	\$ 1,249,369	\$ 1,035,933
Net increase (decrease) in cash	\$ (2,417,370)	\$ 536,289	\$ 635,152	\$ 303,760	\$ 405,232	\$ 256,018

The FY25 recommended budget includes a fund balance appropriation of \$3,745,162 in the Water & Sewer fund. This appropriation is necessary in order to make water and sewer infrastructure improvements and for equipment replacement. The Town will continue to apply for Federal and State grants for water and sewer projects. If grant funds are awarded, some of this appropriation would remain unspent.

Expenditure Summary:

Water Operations – The FY25 recommended budget includes the following equipment and projects:

- \$71,749 Ditch Witch Drill to replace hole hog for offside services and will be used for directional boring waterline up to 4". The electric crew can also use this for underground service installation without cutting asphalt.
- \$80,200 One-Ton Crew Cab Service Truck to replace 2005 Chevrolet 3500 with over 200,000 miles and a dash cluster that does not work.
- \$41,500 Midsize truck for all 12 employees to use when rotating on call instead of driving the larger service truck home. This will decrease fuel costs and extend the service life of the larger, more expensive service truck. The truck will also be used daily for routine service calls such as checking meter leaks, hydrant flushing, and water quality issues.
- \$312,000 Carryover replacing 6" cast iron water main on Harmon Street, 2" galvanized line on Hickory Nut Street and Plymouth Lane – 2,500 feet total. Engineering is complete and ready for bids but construction will need to be in FY25 budget.

The following will be recommended in FY26 budget due to budgetary constraints and the backlog of projects in FY25:

- Elizabeth Ave water line replacement from E Main Street to Eastover Dr intersection, 1800 ft of 6" cast iron pipe. After the completion of the project, Elizabeth and Birdhouse will be paved.
- \$191,800 Tandem Dump Truck to replace the 2003 Chevrolet dump truck with no working gauges and a clutch that has been replaced multiple times due to hauling heavy loads. This truck is used daily for water leaks, taps, and upgrading galvanized lines. A larger dump bed will allow the crew to haul more dirt and gravel in one trip to save time and would be used for doing our own paving for road cuts.

Water Plant – There are multiple high priority improvements that need to be completed this year to maintain the water treatment plant. However, only two are recommended in this budget.

- \$795,150 New SCADA system (Financing recommended with 9 months of payments included in Debt Service)
- \$139,463 Sedimentation Basin Interior Wall Rehab for one basin

The remaining improvements, along with any others that rise in priority, will be recommended in the FY26 budget.

- \$90,000 Sludge basin scrape and haul
- \$81,320 Ross Valve Installation
- \$94,464 Rehab of Backwash Tank
- \$190,914 Replace Sodium Hypochlorite Bulk Tank
- \$85,765 Exterior Building Recoating

Sewer Operations – This budget includes the recommendation of the following:

- \$175,126 New backhoe to replace the sewer department’s 2003 backhoe, which will be moved to the water plant for loading gravel, sand, and dirt on dump trucks when needed to fill holes from leaks. The backhoe that was kept at the water plant could not be repaired and was surplus in May 2024.
- \$38,048 New Hudson trailer for water and sewer to move equipment to cut right of ways for leak repairs and service orders. This will replace the 1999 trailer that had a broken frame and was surplus in 2024.
- \$150,000 Pryor Street drainage project that replaces sewer line under rail trail from Pryor Street to the Dog Park while completing the Electric Dept substation project.
- \$450,000 Carryover for sewer line rehab project for Collins Ave to Sharon Street. Engineering is complete and ready for bids but the construction will be in FY25. Town water crews replaced the water line in FY24. This project includes road resurfacing after the sewer line is installed.

The following will be recommended in FY26 budget due to budgetary constraints and the backlog of projects in FY25:

- \$650,000 Replace 2,600 feet of terracotta sewer line and 14 manholes on Tate Street out to the right of way. This will continue the replacement of older brick manholes that allow infiltration and roots to enter causing blockages.
- \$165,000 Storage building located at WWTP with height for combo truck and pump truck storage.

Wastewater Treatment Plant – This budget includes the following projects and equipment to maintain the wastewater treatment plant:

- \$48,000 Replace older service truck with smaller truck
- \$22,000 RAS pump check valve
- \$15,000 Sludge pump for digester

Future budgets may include removal of all old equipment in the empty basins for approximately \$20,000 to prepare for any improvements needed when capacity requires it.

Pump Maintenance – This budget includes the following recommendations:

- \$70,000 Replacement service truck that can tow the portable diesel pump and generator to the locations farther from town. This will replace a 2003 truck with 213,000 miles that is no longer dependable and unsafe for towing heavy equipment.
- \$83,000 New generator at Bethany Church Road sewer pump station. This pump station has had multiple power outtakes and is on a dead end Duke Power line. The portable generator is used at this station the most while waiting on repairs to electrical service.
- \$30,000 Carryover for McCoy pump in case it doesn't arrive in FY24. This station has two pumps that alternate running and are the same age. One pump went down during January and once in place, the old one will be sent for a rebuild and used as a spare.
- \$60,000 Rebuild and rewire of Raw Water Pump Station generator transfer switch, wiring harness, Woodward controller, and breakers. This is a critical generator for supplying fresh water to the Water Treatment Plant. New quoted at \$231,422.

Future priorities include: Raw Water Pump Station needs to move up the priority list for a rebuild. McGill has this project on the capital improvement plan.

Meter Services – This budget includes one capital request.

- A new meter reading truck needs to be purchased to replace the one involved in an accident and considered a total loss. A payment of \$12,000 was received from the insurance company in exchange for the truck in January 2024.

Debt Service:

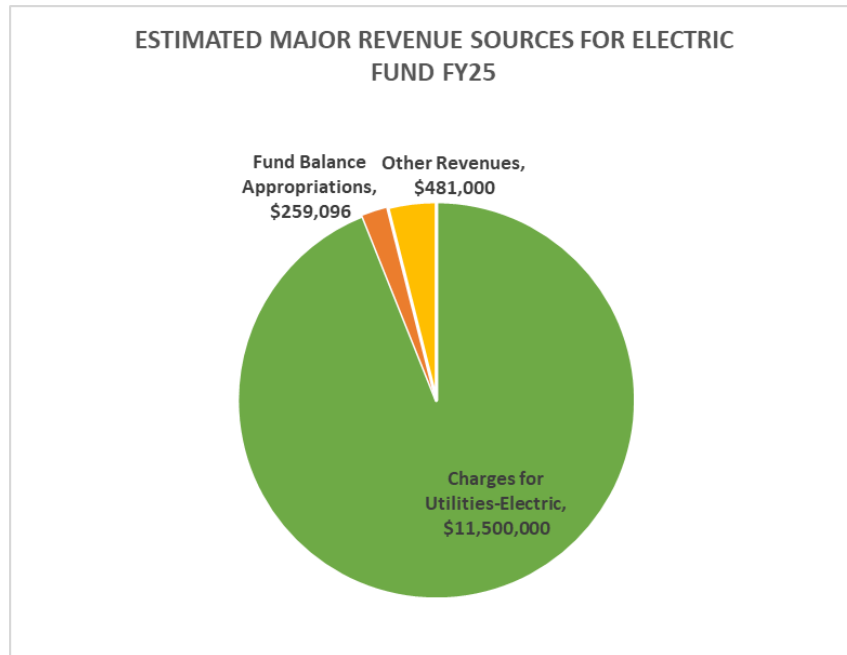
Debt service payments totaling \$485,617 are included as follows:

- \$3,320 for 12 monthly payments for Enterprise Fleet leased vehicle program that began in FY22.
- \$180,333 for 12 monthly payments for installment financing of the Dogwood Pump Station project. The loan balance as of June 30, 2024, is \$555,750 with a last payment date of September 20, 2027.
- \$149,760 for 12 monthly payments for a five year lease-purchase on a Combination Water Sewer Cleaner and Soft Dig Truck to be used by all Water/Sewer Departments.
- \$24,204 for the annual payment on the 0% interest NCDENR loan related to the Central Business District Sewer Rehabilitation Project. The loan balance as of June 30, 2024, will be \$242,032 with ten annual payments remaining through 2035.
- \$128,000 for 9 months of payments in FY25 (financing for 59 months, estimating a 6% interest rate, and payments starting during the 4th quarter of 2024) for the Water Treatment Plant SCADA system replacement, at a cost of \$795,150.

ELECTRIC FUND

Revenue Summary:

Electric Fund major revenues come from charges for residential, commercial, and industrial electric utilities. Increases or decreases in customer usage impact revenues. Extreme weather can impact the utility charges to customers and increase Town expenditures for the purchase of power under the current rate structure of the Duke Energy power supply contract.



ELECTRIC FUND HISTORY OF MAJOR REVENUE SOURCES							
	FY20 Actual	FY21 Actual	FY22 Actual	FY23 Actual	FY24 Budgeted	FY24 Estimated	FY25 Preliminary
Charges for Utilities-Electric	\$ 10,981,746	\$ 10,662,397	\$ 10,640,075	\$ 10,353,403	\$ 11,500,000	\$ 11,257,000	\$ 11,500,000
Fund Balance Appropriations	\$ 1,244,267	\$ 1,012,785	\$ -	\$ -	\$ -	\$ -	\$ 259,096
Other Revenue & Grants	\$ 319,353	\$ 283,307	\$ 447,782	\$ 332,095	\$ 458,500	\$ 701,000	\$ 481,000

Rates & Fees:

Appendix A includes a list of all rates and fees for Town departments.

- The Town spends a significant amount of money on materials to run new underground for customers at no charge. Materials for underground greater than 200 feet, requested in lieu of

overhead, will be at the customer’s expense unless kWh usage will be high enough for a ROI of less than 3 years. Individual pricing can be requested from the Public Works Director.

- The Town has reviewed the equipment rate sheet used for work performed and it is recommended to change those rates to cover the increased replacement costs of all Town equipment. Rates will be provided with any quotes for utility work.

Southeastern Consulting Engineers, Inc. conducted an electrical distribution system analysis in FY23 and provided a plan for the Town to continue providing a highly reliable electric system with excellent service to its current and future customers. Recommendations included continual investments that must be made over time to maintain the current system and provide the capacity needed to meet the growth demand predicted over the next decade.

An electric rate study is recommended. The last electric rate study was conducted in 2016 and reviewed residential, commercial, and industrial rates. The only change implemented at that time was a reduction in the General Service Commercial rate. Prior to that adjustment, the Town increased rates by 4.5% in 2014 to match the Duke Energy rate increase to the Town. Since 2015, the Board of Commissioners has opted to absorb rate increases from Duke Energy rather than pass them on to the customers. Increases in wholesale rates are expected during FY25 due to requests for rate formula changes made by Duke Energy to the Federal Energy Regulation Commission.

Enterprise Fund Summary:

The chart below shows a six-year history of working capital and cash flows from operating activities for the Electric Enterprise Fund.

Electric Enterprise Fund Summary						
	FY18	FY19	FY20	FY21	FY22	FY23
Working capital	\$ 6,478,452	\$ 7,064,513	\$ 6,626,143	\$ 6,799,881	\$ 2,717,589	\$ 4,236,842
Unrestricted net position	\$ 5,185,846	\$ 5,746,932	\$ 5,277,415	\$ 5,474,769	\$ 1,459,899	\$ 3,011,741
Operating income (loss)	\$ 3,195,755	\$ 3,676,593	\$ 3,620,151	\$ 3,407,261	\$ 4,796,506	\$ 1,332,044
Transfers to the General Fund	\$ 5,256,749	\$ 2,387,240	\$ 3,950,600	\$ 3,216,490	\$ 8,277,354	\$ -
Cash flows from operating activities	\$ 3,553,649	\$ 4,296,483	\$ 4,277,200	\$ 3,573,475	\$ 4,932,876	\$ 2,075,320
Net increase (decrease) in cash	\$ (1,751,214)	\$ 222,831	\$ (151,118)	\$ 61,966	\$ (4,199,828)	\$ 1,931,016

The Electric Fund includes a fund balance appropriation of \$259,096 for FY25 to complete the recommended capital improvements. There are no transfers from the Electric Fund to any other fund included in this budget.

Expenditure Summary:

Electric Operations - The FY25 recommended budget includes the following equipment and projects:

- \$200,000 Duke Street Tie Line. Build approximately 3,000 feet of phase 336 ACSR overhead line to connect the Lowes Circuit and West Main Circuit. This project will allow the Town to balance the load between those circuits and is recommended in the electrical distribution system study

conducted in 2023. This replaces the Lowe's Tie Line expected to be in this budget due to a higher priority level.

- \$155,000 Control upgrades for two generators at Beaver Street. One upgrade was completed at Beaver Street in the last budget.
- \$48,000 Paint generators at Lawing Road Substation
- \$48,000 Replacement truck for 2007 model with over 200,000 miles. Current truck burns oil and coil packs/plugs are changed out monthly at the town garage.
- \$250,000 Legacy Soccer Complex underground service including conductors, junction boxes, and transformers.
- \$38,000 3-Wire Rack Trailer for hauling and pulling underground primary wire directly off the reels. This will make completing jobs like the Legacy Soccer Complex faster and with less manual labor for the heavy spools of wire and chance of injury.
- \$75,000 to add timers, check and replace wiring as needed, for accessory/event light breakers for auto on/off daily.
- \$150,000 Pryor Street drainage project carryover from decommission of the substation.
- Purchase order for bucket truck, ordered in February 2022, will be carried forward until anticipated delivery in April, 2025. (PO #14760 \$260,247)

Substation property will need to be purchased to prepare for the future installation of an additional delivery point. Total acreage needed and cost is unknown but expected in FY25.

Transformer purchases for the upgrades to 212 Nuway Packing for \$417,600 have been noted but not included in this recommended budget. There could be a budget amendment for this if needed.

The following projects from the Electrical Distribution System Study are expected to be included in the recommended FY26 budget:

- \$35,000 Lawing Road substation new 3-phase gang operated switch and bus support.
- \$25,000 Relocate switches on Washington Street and transfer load between the Hardin Road Circuit and Washington Street Circuit.
- \$40,000 Replace the Metering Transformers at Beaver Street Substation.
- \$3,750,000 New Substation – Engineering & Material Procurement.
- \$150,000 Underground Cable Replacement for all installed prior to 1983.
- \$110,000 Lawing Road Substation Generator Control Upgrades for all four generators.
- \$120,000 Contract Service Crew to replace aging secondary poles, transformers, and services.

Debt Service:

Debt service for the Electric Fund includes \$11,777 for 12 monthly payments for the Enterprise Fleet leased vehicle program that began in FY22.

PERSONNEL SUMMARY

The Town currently has 145 full-time authorized positions. A complete list by department is included in *Appendix C*.

Cost of Living Adjustment:

The table below shows COLA increases approved by the Council since 2011 for full-time employees. These increases average 2.7% annually.

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
COLA	2.5%	2.5%	1.7%	1.5%	1.7%	2%	1.5%	2%	2.8%	1.5%	2.5%	11%	3%

The financial impact on the budget based upon potential percentage of COLA increases are provided in the table below for reference in Council’s planning and recommendations. The percentage of COLA increase includes all Town employees and Board of Commissioners. At a time of increased competition to recruit and retain employees through competitive wages and benefits, offering a COLA increase that keeps up with inflation is important. An increase of **3.5%** is included in the budget numbers presented based on feedback from council at the May 6th work session. The cost for additional amounts have been included below for consideration.

COLA increase by Fund	Approximate cost increase for 1%	Approximate cost increase for 3%	Approximate cost increase for 3.5%	Approximate cost increase for 4%	Approximate cost increase for 5%
General/Parks	\$69,375	\$208,125	\$242,813	\$277,500	\$346,875
Water & Sewer	\$23,837	\$71,511	\$83,430	\$95,348	\$119,185
Electric	\$10,089	\$30,267	\$35,312	\$40,356	\$50,445
Total COLA	\$103,301	\$309,903	\$361,555	\$413,204	\$516,505

Forest City Fire & Rescue:

During a challenging budget climate, an increase of \$60,000 was added to the FY24 budget to fund part-time personnel as a solution to increase the number of firefighters per shift. This increase allowed the department to add one firefighter for a 12-hour shift (7pm to 7am) per crew. As the Town seeks grant funding to address critical needs for additional full-time staffing, the FY25 recommended budget continues to include the increase in salaries for part-time personnel.

In FY23, a Fire Department Station Analysis and Staffing study was prepared for and presented to the Town of Forest City by Bucket Brigade Consulting, LLC. This study recommended increased personnel to meet the National Fire Protection Association (NFPA) standards and to decrease the potential for loss of life or serious harm to personnel and citizens. For several grant cycles, the Town has applied for a Staffing for Adequate Fire and Emergency Response (SAFER) Grant to fund 3 firefighter positions for 3

years. The funding would allow FCFR to meet the NFPA's 4-firefighter minimum staffing recommendation for one engine per shift. Although the Town has not been accepted, staff will continue to work on the application process for this grant. Grants are awarded periodically through September of each year and do not require matching funds. If grant funds are not awarded, the Town must consider directing funding for this purpose.

Salary Mid-Point Adjustments:

The budget includes 4 employees who will meet the criteria for salary mid-point adjustments during the year for a total of \$25,141. Employees who are not currently at the midpoint are eligible for this adjustment with a minimum of 10 years of service with the Town, at age 60 with 20 years of service in the retirement system, or at any age with 25 years of service in the retirement system. Also, employees must be in their current position for a minimum of 2 years.

Retirement Payout Funds:

The budget includes retirement payout funds totaling \$19,943 for 3 employees who are eligible for retirement and have indicated plans to retire in FY25.

Employer Contribution Increases:

The State Retirement System has mandated an increase in employer matching contributions from 14.10% to 15.04% for law enforcement and 12.85% to 13.64% for all other employees. Matching pension contributions have increased at this rate for the last six years. These expenditures are included in fringe benefits for payroll.

The State Health Plan Board of Trustees approved health plan premium rates for 2024 at the July 27, 2023 board meeting. The monthly employer contributions increased by \$89.58 per employee per month, which is approximately a 15% increase. The premium is currently \$724.54 per month. The FY25 budget contains an increase of 5% to cover any increase announced for 2025.

In past years, budgeting for a potential 5% increase has been sufficient to cover any premium increase from January through June. In December 2021, the State announced a monthly premium of \$697.86 for January 2022, which was a 24.1% increase over the prior year. This significant and unexpected increase caused a budget shortfall of approximately \$57,000 in fringe benefits. If this should occur, an amendment to the budget could be necessary.