

May 12, 2026

Dear Honorable Mayor Ward and Town Council:

This letter hereby transmits a Recommended Budget for Fiscal Year 2026-2027 to the Mayor and Town Council. The preparation of the annual Budget is one of the major responsibilities conferred by state law upon City and Town Managers in North Carolina, but it is also one that is very important to involve staff and elected officials.

The Town is in good and improving financial condition. However, that does not necessarily reflect as a growing budget, particularly in the water and wastewater fund.

Throughout the process, several things were kept in mind in the development of a balanced, recommended budget.

- We used realistic and conservative assumptions for revenue and expenditure estimates based on current internal financial information, as well as outside sources including the NC League of Municipality's revenue forecasts.
- We were committed to maintaining the current Ad Valorem Tax Rate of \$0.67 per \$100 valuation.
- We kept aware that in all senses of the budget process that we must balance our operational needs and wants with the priorities of Council and the community, all while keeping financially stable. In many instances the "wants" cannot be addressed in the coming fiscal year for all departments.
- Utility Fee changes are not recommended this fiscal year with the base rate for Water, Wastewater and Garbage services being seventy-five dollars and fifty cents (\$75.50). These rates collectively are not increasing per user. The Town has approximately 145 accounts that are base rate users.
- We continued a strategy of preserving and growing the Fund Balance for future capital outlays, improvements, and contingencies, but also recognizing when those expenditures may be a good long-term decision. There is no General Fund transfer as a revenue source in the budget.

As in the current year, major challenges impacting this budget process are and/or have been:

- Keeping focus on the need for long-term infrastructure improvements, urgent, and short-term preventive maintenance repairs.
- Striving for a fair and competitive benefit and compensation program for all employees.
- Understanding that some significant capital projects are coming in the next few fiscal years, the finance officer, department heads, and myself share a desire to be conservative with the budget predictions, which made balancing budgets across all funds challenging this year.

The coming fiscal year has some unknown factors, so we are estimating a slight growth in ad valorem values and relatively slight sales tax revenues.

The last increase in utility fees for services in FY 2024-2025 has not given us the ability to afford infrastructure improvements and future capital needs. However, with the awarding of multiple water/sewer infrastructure grants, some of these needs are being addressed. We will also monitor our revenues and expenditures to also look for opportunities to do additional projects.

In Fiscal Year 2026-2027:

- The proposed General Fund budget is balanced at \$991,025. There are five (5) full-time staffing positions assigned to the General Fund. Three (3) funded 100% from General Fund and two (2) partially funded from General Fund.
- The proposed Water and Sewer Fund is balanced at \$690,500. There are three (3) full-time and two (2) part-time equivalent staffing positions assigned to the Water and Sewer Fund. Two (2) funded 100% from Water/Sewer fund, and three (3) partially funded.

In conclusion, we look forward to continuing our budget discussions in working toward a final approved budget.

We extend our thanks to all department heads and other key staff for their assistance, input, and professionalism in the budget process and beyond. I also want to thank the Mayor and Council members for their input and dedication to the Town of Magnolia and its continued success.

Respectfully,

Charles Banks, Town Manager

Sonia Jaimes, Finance Officer