



Town of Forest City Fiscal Year 2027 Manager's Recommended Budget (July 1, 2026 - June 30, 2027)

INTRODUCTION

This budget message is presented to the citizens of Forest City, the Mayor, and the Board of Commissioners to provide an overview of the principal features of the proposed budget for Fiscal Year 2027(FY27). It outlines how the Town's resources will be allocated to maintain and enhance the services we provide to our residents and stakeholders. The FY27 Manager's Recommended Budget has been prepared in accordance with the North Carolina General Statutes, is balanced as required by law, and respectfully submitted to the Board of Commissioners for consideration and adoption.

Preparing a municipal budget is ultimately an exercise in setting priorities, and this budget reflects the Town's unwavering commitment to delivering reliable, high-quality services to the residents of Forest City while managing the fiscal pressures that continue to challenge local governments across North Carolina and the nation. The Town Manager and Department Heads have worked collaboratively with a continued focus on fiscal responsibility and operational efficiency to develop a budget that is responsible, responsive, and sustainable. In an environment of evolving economic conditions and increasing service demands, the proposed budget prioritizes the delivery of core municipal services while recognizing the critical importance of maintaining and enhancing the Town's infrastructure and workforce. Long-term sustainability depends upon strategic investments in both physical assets and the personnel who deliver essential services every day, all while remaining mindful of the burden that falls on our taxpayers.

Budget Challenges and Drivers

Several significant factors have shaped the development of the FY27 budget.

Inflation and the rising cost of operations. Inflation continues to affect the cost of goods and services across all departments. Fuel, equipment, materials, and contracted services have all increased in price, directly impacting both day-to-day operations and capital project costs. These pressures require the Town to do more with careful planning and disciplined spending.

Employee compensation and benefits. The Town's most valuable resource is its workforce. Employee-related costs have increased due to rising health insurance premiums and higher mandatory contributions to the North Carolina Local Government Employees' Retirement System. Employer retirement contributions for law enforcement increased from 16.10% to 17.10%, and contributions for general employees increased from 14.35% to 15.10%. The FY27 budget includes a 3% cost-of-living adjustment for all full-time employees. These investments are essential not only to maintain service

quality, but to retain experienced staff and ensure Forest City remains a competitive employer in an increasingly challenging labor market.

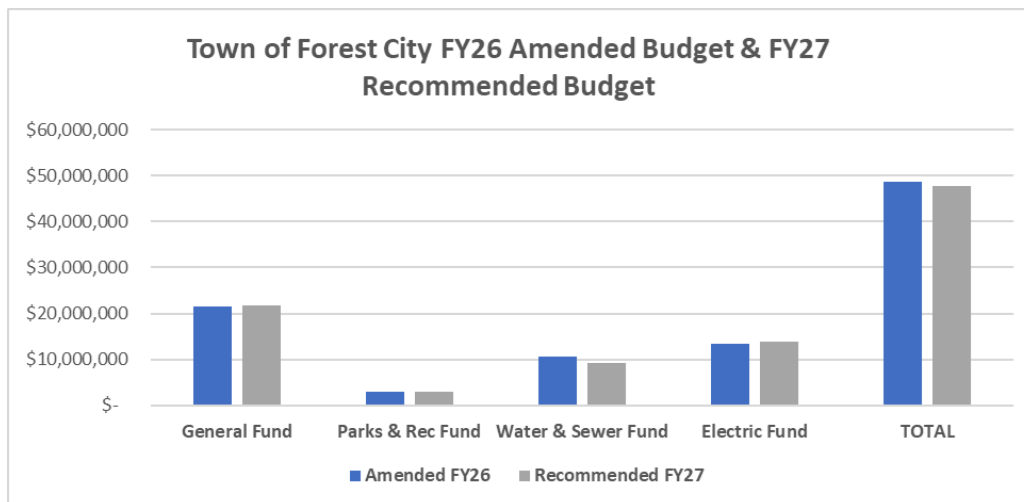
Budget Highlights

Consistent with sound financial management practices, the FY27 budget does not include a transfer from the Electric Fund to the General Fund or the Parks and Recreation Department for the third consecutive year, reinforcing the Town’s commitment to maintaining the integrity of its enterprise funds. However, to achieve a balanced budget while preserving current service levels, an appropriation from the General Fund's fund balance is necessary. The Town will continue to monitor fund balance levels carefully to ensure long-term financial health and stability.

Unchanged from the prior year, the recommended budget is based on a property tax rate of \$0.59 per \$100 of assessed valuation. After applying a collection rate of 98.92% and accounting for applicable economic development incentives, the estimated net value of one cent on the tax rate is \$85,519.

The proposed FY27 budget represents a 1.7% decrease from the prior year's amended budget, reflecting the Town's continued commitment to fiscal discipline without compromising service delivery even in the face of rising costs and increasing operational demands. The Town's financial plan is organized into four primary funds, as summarized in the following table.

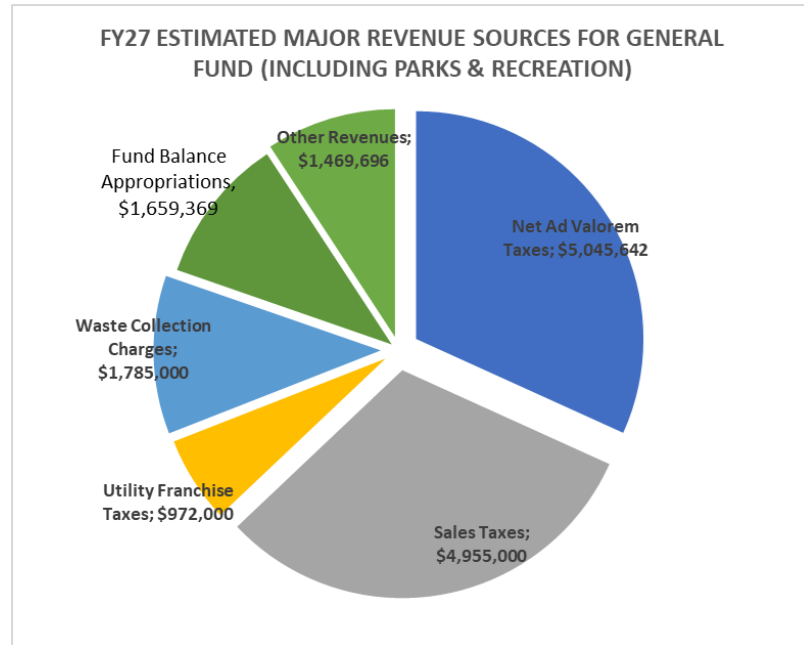
TOWN OF FOREST CITY FY26 AMENDED & FY27 RECOMMENDED BUDGET		
	Amended FY26	Recommended FY27
General Fund	\$ 21,459,140	\$ 21,811,588
Parks & Rec Fund	\$ 2,997,021	\$ 2,962,836
Water & Sewer Fund	\$ 10,712,242	\$ 9,215,724
Electric Fund	\$ 13,479,267	\$ 13,872,193
TOTAL	\$ 48,647,670	\$ 47,862,341



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						
	FY22 Actual	FY23 Actual	FY24 Actual	FY25 Actual	FY26 Estimated	FY27 Prelim Budget
Ad Valorem Taxes	\$ 4,809,240	\$ 9,033,252	\$10,232,988	\$ 10,916,331	\$ 10,876,000	\$ 10,944,523
Economic Incentives	\$(2,843,661)	\$(5,003,247)	\$(4,963,512)	\$(5,070,136)	\$(5,745,933)	\$(5,898,881)
Net Ad Valorem Taxes	\$ 1,965,579	\$ 4,030,005	\$ 5,269,476	\$ 5,846,195	\$ 5,130,067	\$ 5,045,642
Sales Taxes	\$ 2,466,925	\$ 2,809,641	\$ 4,522,678	\$ 4,781,309	\$ 4,813,000	\$ 4,955,000
Utility Franchise Taxes	\$ 876,264	\$ 885,312	\$ 1,113,150	\$ 1,090,146	\$ 979,000	\$ 972,000
Waste Collection Charges	\$ 1,369,876	\$ 1,440,584	\$ 1,538,836	\$ 1,652,889	\$ 1,758,000	\$ 1,785,000
Transfers from Electric	\$ 6,095,169	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balance Appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,659,369
Other Revenues & Grants	\$ 1,079,366	\$ 1,707,547	\$ 2,176,332	\$ 2,261,611	\$ 3,033,140	\$ 1,469,696

Property taxes remain the largest and most stable source of revenue supporting the essential functions of the General Fund and Parks & Recreation Department. The Town of Forest City contracts with

Rutherford County for the assessment, billing, and collection of property taxes. For FY27, the Rutherford County Revenue Department estimates the Town’s ad valorem tax base to be approximately \$1.87 billion. Based on the current property tax rate of \$0.59 per \$100 of assessed valuation and an estimated collection rate of 98.92%, projected property tax revenue for FY27 is approximately \$10,944,523.

C04 - Town of Forest City	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027
AS OF 04/28/26	Actual	Actual	Actual	Actual	Estimated
Real Property	871,929,652	1,076,153,614	1,084,349,512	1,091,682,212	1,100,975,312
Less Homestead & DV Exclusions	(8,277,366)	(11,595,336)	(12,658,719)	(13,292,819)	(13,320,919)
Less Exempt	(114,920,906)	(130,838,215)	(133,903,678)	(126,271,447)	(124,876,861)
Less Present Use Value (deferred)	(715,368)	(659,202)	(697,798)	(697,798)	(651,398)
Subtotal Real Taxable Value	748,016,012	933,060,861	937,089,317	951,420,148	962,126,134
Personal Property	693,283,904	707,515,065	714,659,943	841,829,065	811,934,076
Public Utility Values	32,067,153	30,575,808	30,907,206	31,499,763	31,499,763
DMV Value	54,985,016	58,094,057	62,010,345	68,943,945	68,943,945
Subtotal Personal Taxable Value	780,336,073	796,184,930	807,577,494	942,272,773	912,377,784
Total Net Taxable Value	1,528,352,085	1,729,245,791	1,744,666,811	1,893,692,921	1,874,503,918
	-9.9308%	13.1445%	0.8918%	8.5418%	-1.0133%

Rutherford County Revenue Department

After accounting for economic incentives totaling \$5,898,881, approximately \$5,045,642 in property tax revenue will remain to fund General Fund services. These services include police and fire protection, the operation and maintenance of the Mooneyham Library, Town parks and recreation facilities including the new Legacy Soccer Park, upkeep of two cemeteries, maintenance of streets and sidewalks, and leaf, limb, and rubbish collection among other services provided to residents and visitors. For context, the Forest City Police Department (FCPD) has a proposed FY27 budget of \$4,908,840, which equates to approximately \$0.55 of the property tax rate. Similarly, the Forest City Fire Rescue (FCFR) budget of \$2,852,073 represents approximately \$0.32 of the tax rate. These two departments alone account for a significant portion of the property tax revenue used to support essential public safety services.

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					
	FY23 Actual	FY24 Actual	FY25 Actual	FY26 Estimate	FY27 Prelim Budget
Sales Taxes	\$ 2,809,641	\$4,522,678	\$ 4,781,309	\$ 4,813,000	\$ 4,955,000
Utility Franchise Taxes	\$ 885,312	\$1,113,150	\$ 1,090,146	\$ 979,000	\$ 972,000

Sales taxes are collected by the State of North Carolina and distributed to local governments on a monthly basis. Revenue projections for these state-collected local taxes are provided by the North Carolina League of Municipalities and have been used to estimate preliminary FY27 revenues in this

budget. Total sales tax revenue from the four applicable articles is conservatively projected at \$4,955,000, representing a slight increase compared to the FY26 budget.

Utility franchise tax revenues, which include piped natural gas, electricity, telecommunications, and video programming, are projected to decline slightly, with an estimated total of \$972,000 for FY27.

Additional revenues supporting the General Fund and Parks & Recreation include ABC profit distributions, Powell Bill allocations, and building permit fees. However, many of these revenue sources are restricted to specific uses within the General Fund and cannot be applied broadly to operational expenditures.

Rates & Fees:

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

The Town contracts with Republic Services for solid waste and recycling collection. The contract includes an automatic annual adjustment based on the Consumer Price Index (CPI) for trash collection services. For FY27, the contracted rate will increase by 4.7%, resulting in the average monthly customer rate for curbside carts rising from \$26.14 to \$27.37.

During FY27, the Town will issue a Request for Proposals for solid waste and recycling collection to ensure Forest City's residents receive the highest quality solid waste and recycling services at the best possible value, while demonstrating the responsible stewardship of public funds that our citizens expect and deserve.

Fund Balance Summary:

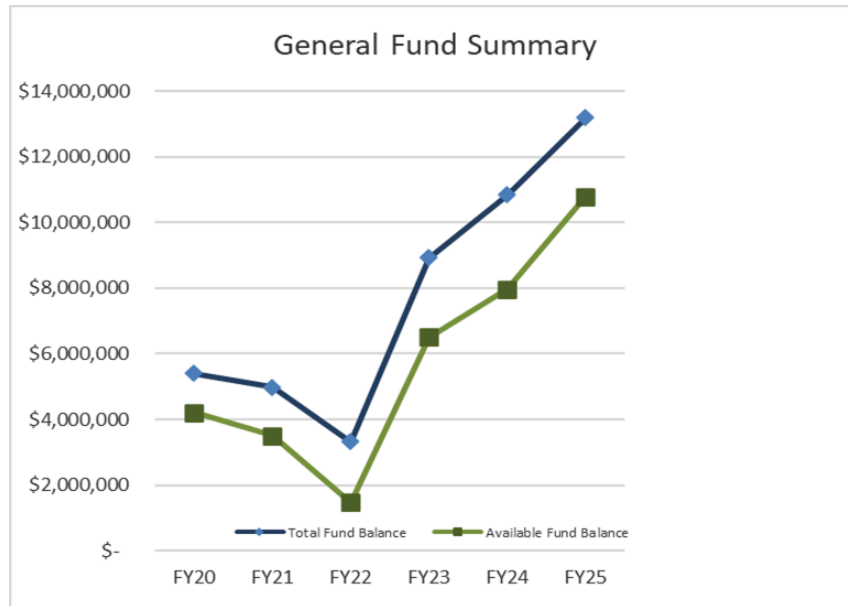
The chart below shows a six-year history of fund balance and the amount available for appropriation each year.

General Fund Summary						
	FY20	FY21	FY22	FY23	FY24	FY25
Total Fund Balance	\$ 5,404,915	\$ 4,978,564	\$ 3,316,958	\$ 8,924,968	\$ 10,848,192	\$ 13,184,557
Available Fund Balance	\$ 4,208,609	\$ 3,514,166	\$ 1,475,145	\$ 6,513,928	\$ 7,970,389	\$ 10,793,011

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

As a result, the available fund balance stands at \$10,793,011, or 57% of net General Fund expenditures for the fiscal year, and total fund balance for the General Fund was \$13,184,557 or 69% of net General Fund expenditures. The Local Government Commission (LGC) recommends maintaining at least 25% of annual expenditures in fund balance to ensure readiness for unforeseen emergencies.

To present a balanced FY27 General Fund budget, an appropriation of \$1,659,369 from fund balance is included. The fund balance appropriation will support capital projects and only be used if necessary.



Expenditure Summary:

Governing Body – The recommended budget includes contributions to the Rutherford County Farm Museum and the Rutherford County Farmer’s Market in the amounts of \$2,000 each for Council’s consideration.

Administrative – The Administrative budget includes economic incentive grants in the amount of \$5,898,881. This grant is based on a property tax rate of \$0.59 per \$100 valuation.

Finance –The FY27 budget includes funds to complete the implementation of the new accounting system. The project to replace the outdated current system, which includes payroll and utility billing/collections, began during FY26.

Warehouse and Garage – The recommended budget includes:

- \$15,857 for concrete repairs at the street department warehouse.
- \$120,000 to enclose the front portion of the garage with larger bay doors to accommodate oversized equipment, including leaf vacuum trucks and other vehicles that exceed the height clearance of the current bays. This improvement will allow staff to perform repairs and maintenance on large equipment indoors, improving efficiency and safety while reducing weather-related disruptions. It will also eliminate the current need to perform certain repairs outside during inclement weather, particularly welding and other work that cannot be safely or effectively completed in windy or wet conditions.

Future budgets will include a recommendation to upgrade electrical wiring in the garage and refurbish the street department warehouse, which frequently floods and needs repairs to protect the heavy equipment and supplies stored there.

Public Works Buildings – The recommended budget includes:

- \$88,000 to expand paving to add 50 spaces in the front parking lot for employee and visitor parking, which will allow for more equipment storage inside the security fence behind the building.

Forest City Police Department - The recommended budget includes:

- \$118,000 to purchase two patrol SUVs, including upfit. The discontinuation of sedan models by manufacturers has increased the annual cost of police department replacement vehicles. As part of the Town's grant application to the Governor's Highway Safety Program for three Traffic Safety Officer positions, staff also requested funding to provide three additional vehicles and the necessary equipment to support those positions.

Future budget recommendations will include funding for replacement of the Police Department's radios, which are scheduled to reach end of service life in 2030. In preparation, staff is currently working with the Foothills Regional Commission to pursue potential grant opportunities that may offset a portion of the replacement cost.

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

- \$65,000 mid-size SUV to replace the Assistant Chief's current command vehicle, a 2014 model with approximately 85,000 miles, that is beginning to require increasingly costly repairs. Because this vehicle is relied upon for emergency response and command operations, dependable service is essential. Upon replacement, the existing vehicle can be repurposed for routine departmental use and other non-emergency activities, maximizing the useful life of the asset while ensuring reliable emergency response capability.
- \$55,145 to replace the 25-year-old station generator. During TS Helene, it was difficult to keep the current generator running which is imperative for the department during a disaster.
- \$60,000 to strip and recoat all bay floors.
- \$16,000 for a mower replacement. The current mower has reached the end of its useful life and requires recurring repairs each spring to return it to operating condition. Ongoing maintenance costs have increased significantly, with belts typically requiring replacement at least twice annually due to breakage and deck spindles needing replacement each year. This unit was previously transferred from the Street Department to the Fire Department and is no longer a reliable or cost-effective piece of equipment.
- \$39,000 to 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.

Future budget recommendations will include funding for replacement of the Fire Department's radios, which are scheduled to reach end of service life in 2030. In preparation, staff is currently working with

the Foothills Regional Commission to pursue potential grant opportunities that may offset a portion of the replacement cost.

Code Enforcement & Planning/Zoning – This recommended budget does not include any capital for this department.

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

Street Dept - The Street Department budget includes the following:

- \$47,710 grapple attachments for two rubber tire loaders.
- \$55,000 service truck to replace a 2017 truck with high mileage that had transmission replaced and is already out of service again.
- \$10,000 V-Ride II Stand-on-Mower which is compatible with a snow scrape.

The following equipment/personnel requests will be considered for the FY28 budget:

- \$200,000 dump truck necessary for routine work, storm cleanup, and snow removal.
- A full-time heavy equipment operator and equipment operator has been requested by the street department to assist with the grapple truck on leaf/limb/rubbish collection.

Powell Bill – Revenues for Powell Bill are estimated at \$300,000 in this budget. 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. The paving list for FY27 includes:

- Reid Street
- Franklin Drive

Reid Street will be repaved after drainage repairs and water lines are complete in FY27.

Cemetery – Several updates have been included for both cemeteries in recent budgets. The FY27 budget includes:

- \$5,000 walk-behind aerator for grass.
- \$3,000 for Columbarium Road.

Parks & Recreation - Due to budget constraints, only a limited number of capital projects and equipment purchases have been included in the Parks & Recreation budget over the past several years. As a result, several critical equipment replacements and facility improvements have been deferred. A number of these needs have now become urgent and should be addressed in FY27 to maintain service levels, protect Town assets, and preserve the quality of the Town's recreational facilities.

The following are recommended for the FY27 budget:

- \$20,000 Library- Parking lot repairs; includes patching and sealcoating to address large potholes, improve safety, and prevent further deterioration.

- \$23,000 Parks and Playgrounds- Rotary mower to replace a 20-year-old mower that requires a new transmission and has reached the end of its useful life.
- \$28,000 Parks and Playgrounds- Toro Sand Pro (Ballfield Maintenance) replacement of a 2011 Toro Sand Pro used for dragging and maintaining ballfields throughout the park system. The current unit is worn out and no longer dependable.
- \$90,000 McNair Field- Toro 5510-D Fairway Mower replacement of a 2008 fairway mower with more than 4,000 operating hours that is nearing the end of its service life.
- \$49,000 Golf Course- Toro Greensmaster Triflex 3300 replacement of a 2015 greens mower with more than 3,000 operating hours to maintain course quality and operational efficiency.
- \$15,000 Clubhouse- For a commercial stove/oven replacement necessary to support clubhouse rentals and events.

Town staff will continue to seek grant funds to offset the expense of renovations, upgrades, and repairs to Parks & Recreation facilities when possible. The following will be considered in future budget years:

- McNair Field
 - The box seats are dry rotting, cannot be repaired, and will need to be replaced.
 - Bill bugs severely damaged the turf over the past season. If rehabilitative efforts are not successful, the sod may need to be replaced this year which would require a budget amendment of approximately \$200,000.
- Forest City Clubhouse- The clubhouse needs an overall update. This facility generates revenue through frequent event rentals from Town residents and others outside the municipality. A 2026 Meta Community Action Grant of \$25,000 was awarded to Explore Forest City to modernize the audio/visual equipment and lighting.
- Callison gymnasium/pool area is in desperate need of locker and shower room renovations. The pool slide also needs to be replaced. The Town submitted a grant proposal to the Carolina Foothills Foundation for this project in March 2026. Awards are expected to be announced in June 2026.
- Playgrounds at Hardin Park and Crowe Park are in need of replacement.

Legacy Soccer Park (LSP)- In 2024, RHI Legacy Foundation began construction of the Legacy Soccer Complex on Piney Ridge Road. Completion was anticipated by June 30, 2025, at which time RHI planned to transfer ownership of the property to the Town of Forest City and Rutherford County. The FY26 budget recommendation included funds to support the operation and maintenance of LSP in conjunction with Rutherford County per the Town’s agreement. Following unexpected delays in the conveyance of the LSP to the Town and Rutherford County, the Town entered into an agreement in August 2025 to maintain LSP ahead of the transfer of ownership. The LSP was deeded to the Town and County in March 2026. The FY27 LSP Budget recommendation, including a 10% increase due to chemical cost increases, have been shared with the County per the agreement.

Park Square Depot- The Town has actively pursued grants to cover the complete construction of the Park Square Depot 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. Construction on the project began in early 2026 and is expected to be complete by the end of the year.

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.

Debt Service:

Debt service for the General Fund includes \$361,222 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, 2026, is \$428,847 with a last payment date of June 3, 2030.
- \$122,407 for 12 monthly payments for the fire engine purchased in FY26. The purchase was financed at 4.144% for ten years.
- \$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.

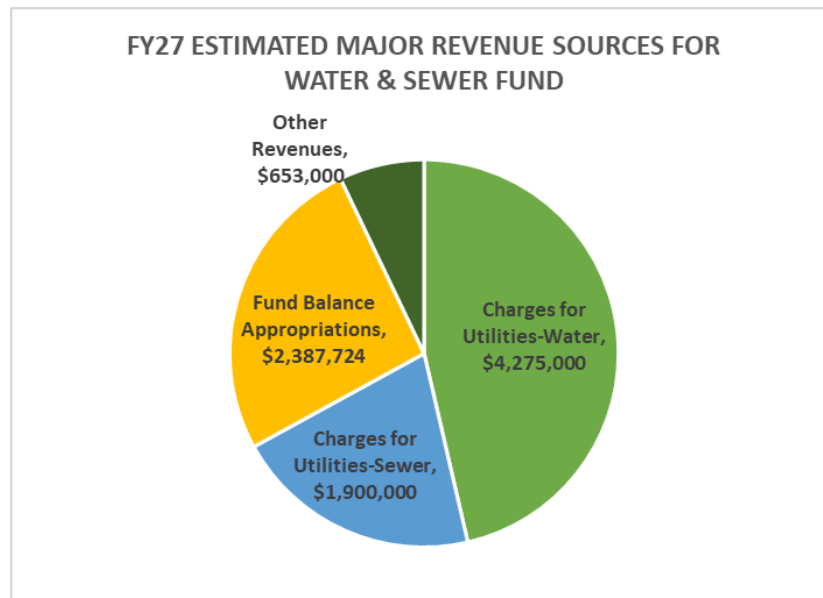
WATER & SEWER FUND

Revenue Summary:

The primary revenues for the Water & Sewer Fund are derived from charges for residential, commercial, and industrial utility services. These revenues support the fund's operating costs and capital improvements to the water and sewer infrastructure. To support capital projects, this budget includes a higher fund balance appropriation. However, those funds would remain unspent if pending grant applications are approved.

Water rates remained unchanged from 2008 until 2025, while operating costs continued to increase each year. As a result, revenue from water and sewer charges remained relatively flat and no longer covered the operational costs of the utility, with no funds for infrastructure improvements.

As outlined in the following section on rates and fees, additional revenue will be necessary to address increasing costs—particularly for chemicals required to treat water and wastewater—and to fund critical system upgrades.



WATER & SEWER FUND HISTORY OF MAJOR REVENUE SOURCES						
	FY22 Actual	FY23 Actual	FY24 Actual	FY25 Actual	FY26 Estimated	FY27 Prelim Budget
Charges for Utilities-Water	\$ 3,713,954	\$ 3,613,641	\$ 3,646,821	\$ 3,510,859	\$ 3,886,790	\$ 4,275,000
Charges for Utilities-Sewer	\$ 1,867,392	\$ 1,760,959	\$ 1,758,965	\$ 1,583,179	\$ 1,704,500	\$ 1,900,000
Fund Balance Appropriations	\$ -	\$ -	\$ -	\$ -	\$ 2,000,000	\$ 2,387,724
Other Revenue & Grants	\$ 6,192,303	\$ 690,420	\$ 491,354	\$ 1,843,895	\$ 3,120,952	\$ 653,000

A comprehensive water and sewer rate study was completed in FY24 and presented to the Board of Commissioners. The analysis identified a need to implement rate increases to:

- support infrastructure improvements for the Town’s aging water and sewer systems;
- offset rising costs of water and wastewater treatment chemicals; and
- address increasing personnel expenses.

In FY25, the only rate increase was for the Resale Water Rate, which had remained unchanged since 2008. This rate applies to customers exceeding 1,000,000 gallons per month for at least six months each year—currently the Towns of Bostic and Ellenboro, and the Concord Community Water System.

Rates & Fees

Appendix A includes a complete list of all current Town department rates and fees.

- FY27 will include a 10% increase for all base and tiered water and sewer rates.

The rate study recommended increases to water and sewer rates to better align revenue with the full cost of service. The FY27 increase to base and tiered rates will address the growing costs of service delivery. However, this adjustment still falls short of fully covering the operational costs of the fund.

For the average in-town residential customer, the FY27 proposed rate change would result in a monthly increase of approximately \$3.38 for combined water and sewer services. Additional rate increases of at least 5% annually are projected for FY28 and FY29 to gradually close the funding gap between revenue and expenditures.

Rate Comparisons

The Environmental Finance Center at UNC Chapel Hill maintains a Water and Wastewater Rates Dashboard, which allows for rate comparisons across the state. These rankings highlight the Town’s continued commitment to maintaining affordable utility services, even as it has become necessary to increase rates to address critical infrastructure and operational needs. According to the January 2026 dashboard:

- The Town’s base water rate of \$16.44 for 3,000 gallons was the second lowest within a 50-mile radius, compared to the lowest at \$15.12 and the highest at \$56.10.
- The Town’s base sewer rate of \$17.27 for 3,000 gallons was the third lowest within a 50-mile radius, with the lowest at \$14.05 and the highest at \$90.00.

Water and Sewer 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						
	FY20	FY21	FY22	FY23	FY24	FY25
Working capital	\$ 6,680,862	\$ 7,034,616	\$ 8,349,264	\$ 8,134,746	\$ 7,024,802	\$ 6,182,210
Unrestricted net position	\$ 3,211,447	\$ 3,612,510	\$ 10,159,542	\$ 9,961,311	\$ 8,702,656	\$ 7,658,557
Operating income (loss)	\$ 179,574	\$ 535,776	\$ 63,247	\$ (651,509)	\$ (1,696,433)	\$ (2,320,081)
Transfers to(from) the General Fund	\$ -	\$ -	\$ (5,851,715)	\$ -	\$ -	\$ -
Cash flows from operating activities	\$ 1,485,940	\$ 1,791,565	\$ 1,249,369	\$ 1,035,933	\$ (250,598)	\$ (440,923)
Net increase (decrease) in cash	\$ 635,152	\$ 303,760	\$ 405,232	\$ 256,018	\$ (1,097,971)	\$ (606,432)

The FY27 recommended budget includes a fund balance appropriation of \$2,387,724 in the Water & Sewer Fund. This appropriation is necessary to support critical infrastructure improvements and equipment replacements. The Town faces a growing need to replace aging water and sewer infrastructure and will continue to actively pursue federal and state grant funding to offset these costs. If grant funding is awarded, a portion of the appropriated funds may remain unspent.

Water and Sewer Expenditure Summary:

Water Operations – The FY27 recommended budget includes the following equipment and projects:

- \$35,400 for automated flaggers that make it safer for employees to work in the middle of the road on repairs. These automated flaggers can be operated by one man, freeing up others to help get the job done faster.
- \$14,399 hybrid enclosed trailer to be used as a leak and tap trailer. This trailer will eliminate the need for crews to go back to the warehouse to get parts or materials needed for jobs, enabling the crew to travel with more supplies for repairs. This trailer will be stocked with essential parts such as pipe, fittings, pumps, safety equipment, and other related items. The trailer will be equipped with a generator for necessary electric tools and an air compressor for air tools.
- \$12,865 wireless controls for combo truck. Currently, the operator must control the combo truck from the front of the truck, which limits visibility and reduces safety and efficiency. A wireless controller for the combo truck would allow the operator to stand at the work area while operating the machine.
- \$13,800 air compressor for hybrid enclosed trailer. Will provide on-site air supply for the air tools used during leak and tap operations.
- \$60,000 new service truck to replace 2016 Chevrolet 2500. The old truck is 10 years old, has 130,000 miles, the transmission is slipping, and the rear end makes a loud popping sound.
- \$12,456 two monitoring devices for hydrants and services. These devices can monitor water pressure and allow staff to get an average of the pressure in that area. These devices also have an alarm that notifies staff when the pressure drops significantly which can be caused by leaks or water theft from a hydrant.
- \$6,598 generator for hybrid enclosed trailer. The generator will power electric equipment during repairs.
- CARRYOVER- Tandem dump truck \$231,141 PO #18010 not expected to be delivered until after the fiscal year end.

The following will be recommended in FY28 budget due to limited revenue:

- \$800,000 Elizabeth Avenue water line replacement. The 6” cast line on Elizabeth Avenue is in bad shape, needing multiple repairs over the last three years. Three of these repairs were after hours on Thanksgiving and Christmas holidays.
- \$288,000 Cat Hydraulic Excavator large enough to do more jobs in-house—like replacing manholes, sewer mains, larger water lines, and larger tree removal. This excavator was requested in the prior budget, but not included in the recommended budget due to budget constraints. The department has rented an excavator this size on multiple occasions.
- \$41,765 mulcher for new excavator. The mulcher will be used to cut up trees and limbs during right-of-way maintenance and storm recovery and clean up.
- \$18,024 jackhammer for new excavator to be used with the new excavator to break through concrete and rock when laying new water lines or making repairs.

Water Plant – This budget recommends the following infrastructure improvements at the water treatment plant.

- \$225,611 for sodium hypochlorite bulk tank to replace the current tank that has a leak in the bottom. This price includes the tank, installation of tank, and disposal of the old tank.

The remaining improvements, along with any others that rise in priority, will be included in grant applications during the year. Some of these projects include:

- Exterior building recoating.
- Sedimentation basin rehabilitation to seal a crack that is increasing in size. The Town has submitted a pre-application for an ARC grant for this project and will submit the full application, if invited.
- Backwash tank.

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

- \$210,000 metal insulated storage building for the vac/combo truck and both pump trucks. These vehicles need to be stored in a climate controlled environment to prevent leaks and protect hoses and pumps that could potentially burst when stored outside in cold temperatures. The new pump truck is too large to store in the old fire department. This building would be erected at the wastewater treatment plant so trucks could be stored where they have to dump.
- CARRYOVER- Single axle dump truck \$177,246 PO #18011, is not expected to be delivered until after the fiscal year ends.

The following projects and equipment have been postponed due to budgetary constraints and will be considered in the FY28 budget:

- \$750,000 Tate Street sewer line will replace 2,600 feet of terracotta sewer line and 14 manholes to the right of way. This project continues the replacement of older brick manholes that allow infiltration and roots to enter causing blockages.
- \$60,000 service truck to replace a 2016 Ford F-350. The current 10-year-old truck has 150,000 miles and is used daily to pull the Jetter to clean sewer lines and manholes.

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

- \$17,000 for a 75 hp aerator motor to be added as an extra backup in anticipation of another basin being put into service in the coming year.

Future plans may include:

- \$20,000 for the removal of all old equipment in the empty basins to prepare for any improvements needed when capacity requires it; and
- replacement of galvanized water lines at the lab building due to constant leaks.

Riverstone Wastewater Treatment Plant - This budget includes the following equipment to maintain the Riverstone wastewater treatment plant:

- \$17,000 mower to replace a 20-year-old John Deere front deck mower that is essential for grounds maintenance at the Riverstone WWTP, pumpstation, roadside, and effluent outfall.

The following equipment has been postponed and will be considered in the FY28 budget:

- \$45,000 new truck to replace 2006 F-150 with mechanical issues.

Pump Maintenance – This budget includes the following recommendations:

- \$36,500 for a 50 hp replacement sewer pump for Knollwood Pump Station. No longer manufactured, the Knollwood pumps are failing and need to be changed to a different style so that parts are available when needed.
- \$37,300 for a 25 hp spare sewer pump for Bethany pump station. Bethany Pump Station is a high-flow station. A spare pump will shorten down time during repairs.
- \$17,500 for a 40 hp spare electric motor and split case water pump for Bostic Water Pump Station. A spare motor and pump will shorten down time during repairs.
- \$23,000 two spare 3 hp grinder pumps for the school sewer pump station to shorten down time during repairs.
- \$17,000 three Mission SCADA Monitoring Units. SCADA units are used to monitor pump stations and water tanks. The town's older SCADA alarms are failing, and Mission's are more modern and dependable.

The following items were to be included in this budget as a recommendation, but are now included in the SRF Water and Sewer Project Funds.

- \$1,185,600 Erwin Sewer Pump Station replacement. The Erwin Pump Station is the oldest station in the town system and is undersized for the current flow. It has a dangerous confined space and is subject to spills during heavy rains and power outages.
- \$45,000 Cat Generator 60kw for Bostic Water Pump Station. The Bostic Pump Station supplies water to the Town of Bostic and the Sunshine water tank, which supplies water to two pump stations farther along the Bostic Sunshine Highway. Installation of a permanent generator will ensure water supply during power outages.

Meter Services – This budget includes the following recommendations:

- \$30,000 new mid-sized truck to replace 2020 Toyota Tacoma with high mileage and transmission issues. The cost for any capital purchases within the Meter Department is split between the Water & Sewer Fund and the Electric Fund.

Debt Service:

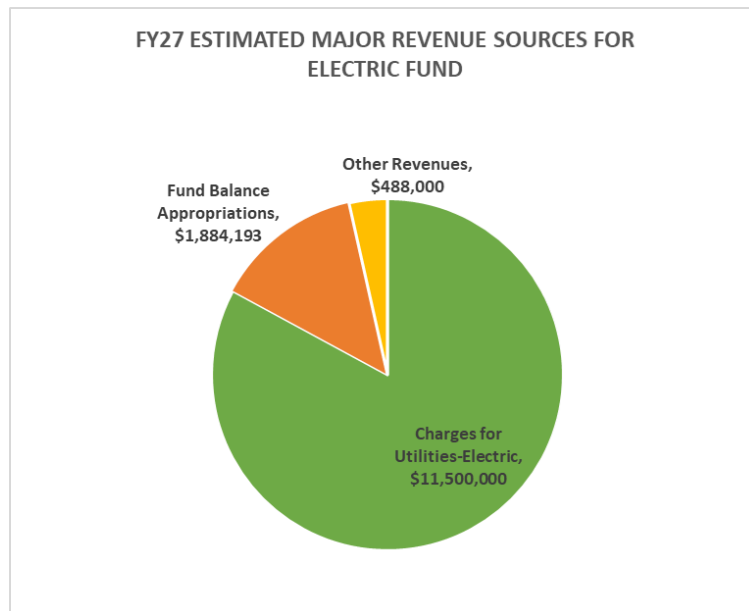
Debt service payments totaling \$542,340 are included as follows:

- \$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, 2026, is \$220,650 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. The loan balance as of June 30, 2026, is \$429,655 with the last payment date of July 25, 2029.
- \$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, 2026, will be \$193,625 with ten annual payments remaining through 2035.
- \$184,723 for 12 monthly payments for the Water Treatment Plant SCADA system replacement project. The loan balance as of June 30, 2026, is \$606,470 with a last payment date of March 1, 2030.

ELECTRIC FUND

Revenue Summary:

The Electric Fund’s primary source of revenue comes from charges to residential, commercial, and industrial customers for electric service. Changes in customer usage—due to factors like weather, economic activity, or energy conservation efforts—directly affect these revenues. Extreme weather can also lead to higher customer demand and increased costs for the Town to purchase electricity under the current Duke Energy power supply contract, which may impact the Electric Fund’s financial performance.



ELECTRIC FUND HISTORY OF MAJOR REVENUE SOURCES						
	FY22 Actual	FY23 Actual	FY24 Actual	FY25 Actual	FY26 Estimated	FY27 Prelim Budget
Charges for Utilities-Electric	\$10,640,075	\$10,353,403	\$10,584,599	\$ 11,035,456	\$ 10,975,210	\$ 11,500,000
Fund Balance Appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,884,193
Other Revenue & Grants	\$ 447,782	\$ 332,095	\$ 593,627	\$ 922,544	\$ 485,790	\$ 488,000

Rates & Fees:

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

No increases are recommended in this budget for electric rates. However, an electric rate study was recommended in the FY23 electrical distribution system analysis. 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.

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 to maintain the current system and provide the capacity needed to meet the growth demand predicted over the next decade.

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						
	<u>FY20</u>	<u>FY21</u>	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>
Working capital	\$ 6,626,143	\$ 6,799,881	\$ 2,717,589	\$ 4,236,842	\$ 5,411,784	\$ 7,578,208
Unrestricted net position	\$ 5,277,415	\$ 5,474,769	\$ 1,459,899	\$ 3,011,741	\$ 4,192,092	\$ 6,326,468
Operating income (loss)	\$ 3,620,151	\$ 3,407,261	\$ 4,796,506	\$ 1,332,044	\$ 1,027,094	\$ 2,013,347
Transfers to the General Fund	\$ 3,950,600	\$ 3,216,490	\$ 8,277,354	\$ -	\$ -	\$ -
Cash flows from operating activities	\$ 4,277,200	\$ 3,573,475	\$ 4,932,876	\$ 2,075,320	\$ 1,028,293	\$ 2,441,487
Net increase (decrease) in cash	\$ (151,118)	\$ 61,966	\$ (4,199,828)	\$ 1,931,016	\$ 853,100	\$ 1,928,377

The Electric Fund includes a fund balance appropriation of \$1,884,193 for FY27 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 FY27 recommended budget includes funding for the following key equipment and projects:

- \$56,000 new service truck to replace an older fleet truck.
- \$40,000 for painting the last half of the street and traffic poles to maintain their visibility for maximum safety.
- \$465,000 service line upgrades (Contract labor) to upgrade and improve all identified service lines, enhancing system reliability, operational efficiency, and long-term infrastructure performance.
- \$390,500 pole inventory, treatment, and GPS location for future asset tracking.
- \$20,000 perform megger testing on all 7 generators for insurance purposes.

- \$50,000 upgrade voltage regulators to new Cat CDVR digital on all 7 generators for insurance purposes.
- CARRYOVER- Boring machine \$132,539 PO #18264 not expected to be delivered until after the fiscal year end.
- CARRYOVER- \$400,000 for the Lowe's Tie Line Project, which covers estimated costs for engineering, surveying, land clearing, road bed preparation, and overhead construction. This project is crucial for balancing the load between circuits and is recommended in the electrical distribution system study.

We are awaiting a grant application decision from the Federal EDA for the Electric Substation project. If the grant is not awarded, the Town will have to examine other funding sources, including financing.

- \$10,000,000 new substation – engineering and contracting procurement.

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 146 full-time authorized positions as listed in **Appendix C**.

Cost of Living Adjustment (COLA):

The table below shows COLA increases approved by the Council since 2011 for full-time employees. These increases average 2.85% annually.

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
COLA	2.5%	2.5%	1.7%	1.5%	1.7%	2%	1.5%	2%	2.8%	1.5%	2.5%	11%	3%	3.5%	3%

The table below outlines the potential budgetary impact of various COLA percentage increases, provided to assist the Council in planning and decision-making. The recommended budget includes a 3% COLA which applies to all Town employees and members of the Board of Commissioners, with the exception of the Town Manager, whose adjustment is at the discretion of the Board. In an increasingly competitive labor market, where attracting and retaining qualified employees depends on competitive wages and benefits, maintaining COLA adjustments that align with inflation is essential.

COLA increase by Fund	Approximate cost increase for 1%	Approximate cost increase for 2%	Approximate cost increase for 2.5%	Approximate cost increase for 3%
General/Parks	\$56,805	\$113,610	142,013	170,415
Water & Sewer	\$21,274	\$42,549	53,186	63,823
Electric	\$9,483	\$18,965	23,707	28,448
Total COLA	\$87,562	\$175,124	218,905	262,686

Forest City Police Department:

As part of a grant application submitted to the Governor’s Highway Safety Program, the Town requested funding to add three additional Traffic Safety Officer positions, including salaries, vehicles, and necessary equipment. The grant would fund 85% of the total cost, with the Town responsible for a 15% local match in the first year. One Traffic Safety Officer position was awarded in FY26, and staff is hopeful the current application will build on that success. Notification regarding funding is expected within the next few weeks.

Forest City Fire & Rescue:

In FY23, Bucket Brigade Consulting, LLC conducted a Fire Department Station Analysis and Staffing Study, which was presented to the Town. This study recommended increasing personnel to meet National Fire Protection Association (NFPA) standards, thereby reducing the potential for loss of life or serious harm to both personnel and citizens. For several grant cycles, the Town has applied for the Staffing for Adequate Fire and Emergency Response (SAFER) Grant to fund three firefighter positions for three years to help Forest City meet the NFPA's recommendation of a minimum of four firefighters per engine per shift. Because the Town has not been awarded the grant in previous cycles, the FY27 recommended budget includes adding three full-time grade 13 level I firefighters, at a total cost of \$247,751 for salaries and outfitting, to meet the NFPA's minimum of four firefighters per shift to meet critical staffing needs.

The FY24, FY25, and FY26 budgets were increased by \$60,000 to fund part-time personnel in order to increase the number of firefighters per shift. This adjustment allowed the department to add one firefighter per crew for a 12-hour shift (7 PM to 7 AM). In FY26, the budget also included hourly pay increases for part-time fire personnel, ensuring that Forest City's pay rates remain competitive with surrounding fire departments. The hourly rate of \$12-\$13 per hour increased to \$13-\$17 per hour, based on certification levels and experience. The department still struggled to find part-time personnel to fill each shift. The part-time salary budget in the FY27 recommended budget has been decreased to offset some of the costs associated with the new personnel positions.

Street Department:

Department requests for additional personnel are not included in the recommendation for this budget, but will be considered in FY28. Requests include a grade 11 heavy equipment operator and grade 9 equipment operator. The starting rate for grade 9 is \$37,555 and grade 11 is \$41,405.

Water Operations:

The Department requests an additional grade 14 distribution/collection system crew leader to assist with the large number of grant funded projects for the water/sewer system. The starting rate for grade 14 is \$47,931. This position is included in the recommended budget.

Electric Operations:

The Electric Department requested one additional grade 14 ground technician position with a starting rate of \$47,931. This position is not included in the recommended budget, but will be considered in FY28.

Salary Mid-Point Adjustments:

- No employees are projected to meet eligibility criteria for salary midpoint adjustments in FY27.
- Criteria include:
 - Minimum 10 years of service with the Town
 - Age 60 with 20 years in the retirement system
 - Any age with 25 years in the retirement system
 - Must have held current position for at least 2 years

Retirement Payout Funds:

- The budget will include payouts for seven employees considering retirement in FY27.

Employer Contribution Increases:

State Retirement System

On January 29, 2026, North Carolina Retirement Systems provided guidance for an increase in employer matching contributions for the Local Governmental Employees' Retirement System:

- **Law Enforcement:** Increase from 16.10% to **17.10%**
- **All Other Employees:** Increase from 14.35% to **15.10%**

The Board adopted the current Employer Contribution Rate Stabilization Policy (ECRSP) on April 29, 2021, to provide predictable incremental increases in the employer contribution rate for five fiscal years ending 2023 through 2027. These expenditures are included in fringe benefits for payroll.

State Health Plan

The State Health Plan Board of Trustees approved the implementation of salary-based premium rates effective January 1, 2026, for the employee portion of the premium, a major change from the flat \$50 per month per employee.

- The 2026 employer premium increased \$67.42, from \$674.62/month to \$742.04/month. This change resulted in an increased cost of \$111,648 for January-December 2026, based on 138 employees on the plan.
- The 2026 employee premium increased an average of \$44.35/month over the four salary-based tiers. This change will result in an estimated average cost of \$72,504 for January-December 2026, based on 138 employees on the plan.
- The FY27 budget includes a 5% buffer to cover potential increases in the health plan that would start in January 2027.