

**TOWN OF RICHLANDS
NORTH CAROLINA**

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June 10, 2025

BUDGET MESSAGE

To: Mayor McKinley Smith and the Richlands Board of Aldermen

From: Gregg Whitehead, Town Administrator

Re: The 2025-2026 Fiscal Year Budget Message

Introduction

I am pleased to present a balanced, proposed Fiscal Year 2025-2026 operating budget for the Town of Richlands. As you are aware, the actual departmentalized budget ordinance, complete with fee schedules, will be available for your adoption after the necessary public hearing is held and all line items and rates are agreed upon and finalized. The proposed budget and the information within this summary are a direct result of the budget workshop held on April 30, 2025 and therefore most if not, all items discussed in detail should be familiar to you.

The total operating budget proposed for FY 25-26 is \$2,127,600 and solely consists of the General Fund. The proposed total operating budget represents a \$221,000 *decrease* from the current year's budget, including any budget amendments adopted the previous year, and amounts to a 10.3% decrease in the overall budget. Adding to the gains from the 2022 property tax revaluation, the property tax base is projected to increase in FY 25-26 by approximately \$9,915,000 or 4.4% over the previous year for a total tax valuation of \$236,615,000 (see *Table 1*).

Table 1

Richlands Property Tax Values

Fiscal Year	Real Estate	Personal Property	Public Service	Registered Vehicles	Total
FY 2025-2026	\$200,000,000	\$9,000,000	\$3,115,000	\$24,500,000	\$236,615,000
FY 2024-2025	\$193,000,000	\$7,500,000	\$3,200,000	\$23,000,000	\$226,700,000
FY 2023-2024	\$190,000,000	\$6,500,000	\$3,300,000	\$20,500,000	\$220,300,000
FY 2022-2023**	\$186,500,000	\$6,000,000	\$2,300,000	\$18,300,000	\$213,100,000
FY 2021-2022	\$139,000,000	\$5,700,000	\$2,670,000	\$16,700,000	\$164,070,000

**Denotes a revaluation year

The sales tax receipts for the current fiscal year are estimated to be at or slightly higher than anticipated and are expected to maintain a low level of growth. Therefore, the prudent course of action is to budget sales tax revenue increases low to flat. State collected revenues are anticipated to be in line with our population growth and the recent contract renewal with GFL Environmental will allow the current \$17.00 per month per cart to remain stable for the next several years.

Taken as a whole, the Town of Richlands is in excellent financial health and due to prudent fiscal management and restraint by both the town staff and the Board of Aldermen, the proposed budget for FY 25-26 will be able to meet the needs of the citizenry as well as effectively allocate limited resources to address needed departmental capital expenditures. Please note that the “size” of the budget is not solely a case of establishing revenues but also a reflection of the actual cost of services, which do not remain stagnate over time, and the function of the budget is to provide and manage those services. A summary of the revenues and expenditures is outlined in Table 2 below.

Table 2

**FY 2025-2026 Budget
Revenue & Expenditure Summary**

• GENERAL FUND REVENUES	2025	2024	2023	2022
• Property Tax (including penalties and interest)	\$874,000	\$845,000	\$827,000	\$797,000
• Rent & Lease	\$64,800	\$63,300	\$63,300	\$59,000
• Miscellaneous	\$32,700	\$28,700	\$13,200	\$11,900
• Miscellaneous (Contracts)	\$16,600	\$13,500	\$13,200	\$11,700
• Sales Tax	\$538,000	\$525,000	\$523,000	\$458,000
• State Collected Revenues	\$154,500	\$144,700	\$138,500	\$134,100
• Powell Bill Funds	\$90,000	\$84,000	\$70,500	\$68,000
• ABC Revenues	\$45,000	\$45,000	\$45,000	\$62,000
• Grant Funds	\$0	\$330,000	\$300,000	\$0
• Permits, Fees & Penalties	\$12,500	\$7,500	\$8,000	\$8,000
• Garbage Collection Fees	\$205,000	\$198,000	\$200,100	\$198,000
• Interlocal Fire Tax	\$62,000	\$62,000	\$62,000	
• Fund Balance	\$32,500	\$0	\$0	\$0
	\$2,127,600	\$2,346,700	\$2,263,800	\$1,807,700
• GENERAL FUND EXPENDITURES				
• Governing Body	\$130,000	\$118,700	\$107,100	\$87,300
• Administration	\$416,600	\$328,800	\$330,800	\$305,700
• Police	\$648,900	\$726,200	\$654,600	\$603,100
• Fire	\$130,000	\$102,000	\$102,000	\$40,000
• Code Enforcement (Contractual Services)	\$1,000			
• Buildings & Grounds	\$65,600	\$369,700	\$399,800	\$49,500
• Streets	\$609,500	\$703,300	\$671,500	\$724,100
• Solid Waste	\$126,000			
	\$2,127,600	\$2,348,700	\$2,265,800	\$1,809,700
• Revenues Over/(Under) Expenditures	\$0			

Departmental purchasing requests outside of normal operating needs totaling \$112,500 have been budgeted across two departments, the Police Department and the Public Works Department and is \$12,426 *more* than the capital and non-capital outlay expenditures from the FY 24-25 budget. The capital item requests follow the capital needs identified in the 2025 Capital Improvement Plan (see *Table 6*). The largest capital expenditures in the

budget are \$57,100 for the purchase of a new patrol car and \$52,000 for the purchase of a new pickup truck for the Public Works Department. The capital and non-capital outlay items are also discussed in further detail in a later section of this summary (see *Table 7*).

Since service delivery is our primary function, I believe I have developed a budget that allows the Town of Richlands to continue to provide a multitude of services at high levels while being fiscally responsible. In general, I have kept the growth of general expenditures to a low but realistic level. Many of the departmental expenditures have remained flat, except those supplies and services out of the town's control such as gas prices, utilities, and recycling costs. Health insurance premiums are expected to increase a modest 1.66% over the current year. I have attempted to forecast conservative revenue estimates, though the estimated revenues in the General Fund are higher than last year due to mild yet consistent property tax growth and continued population growth from the 2020 Census.

Please remember that the budget is titled "proposed" and therefore nothing contained herein is permanent. Upon receiving this proposal, the bulk of my work is completed. I hope the budget I am proposing meets the priorities and goals of the Board of Aldermen.

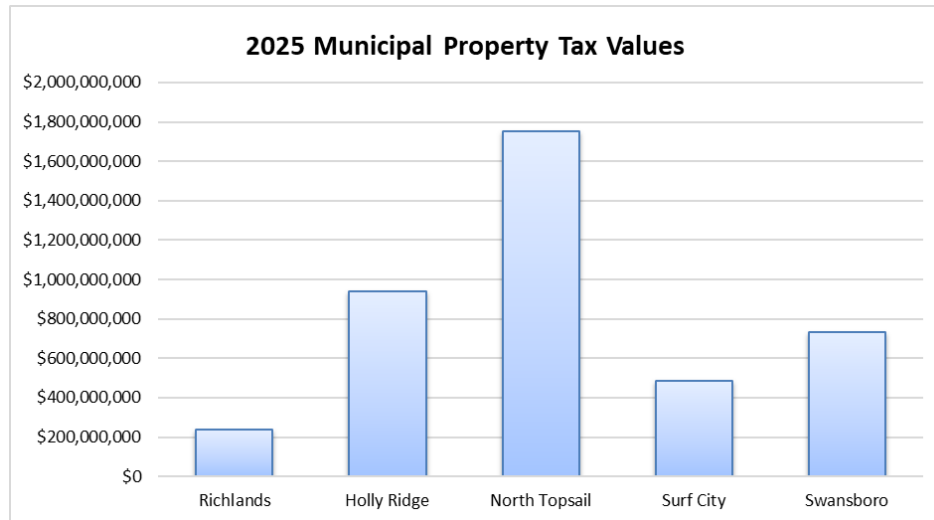
Revenues

The primary source of revenue for the town is through the collection of property tax (*Table 1*). For FY 25-26 the total property tax value of the town is estimated to be approximately 4.4% higher than FY 24-25 and represents an increase in tax value of approximately \$9,915,000 in actual dollars.

Accounting for a 100% collection rate, a penny levied is equal to \$23,662.00 of property tax revenue. With the proposed rate of \$.38 per \$100, approximately \$899,137 in potential ad valorem taxes would be levied for FY 25-26 at a 100% collection rate. Since state law requires that municipalities estimate a collection rate equal to or lower than the previous year's rate, I have utilized a collection rate of 96.5% for the FY 25-26 budget. Therefore, utilizing a total tax valuation of \$236,615,000 and a tax rate of \$.38, the town can expect to generate approximately \$866,000 in property tax revenue, excluding property tax revenue collected from previous years. The proposed tax rate will remain at \$.38, which has been the rate since 2022. Please note that next year will be a property revaluation year and though not always popular, a property revaluation provides important market corrections concerning real estate values and can have a positive or negative effect on total property tax values for a given jurisdiction. The 2022 property tax revaluation marked a 23% increase in property values which gave the town an opportunity to provide and maintain a lower tax rate but also address and plan for expensive infrastructure and capital needs, especially paving and sidewalk improvement needs.

However, merely listing the property tax value of the town does not provide a macro view of the economic landscape. Municipalities operate within a county surrounded by competing jurisdictions at varying levels of size, population, and economic strengths and weaknesses. *Table 3* is a simple representation of the fiscal reality regarding the challenges Richlands faces when balancing service and community needs with our ability to generate revenue by illustrating the town's total property tax value compared to our neighboring communities.

Table 3



As mentioned previously, the revenue derived from sales tax receipts for the current fiscal year is predicted to be at or slightly lower than anticipated, which may be evidence that the post-pandemic boost in sales tax revenues is slowing down or ending all together. As an illustration, the sales tax receipts for the current fiscal year are on pace to be at or slightly over the budgeted amount by approximately \$4,065, which is less than one percent difference. With economic pressures still in play, the ability to properly forecast sales tax receipts can be difficult. According to the comprehensive fiscal data provided by the N.C. League of Municipalities FY 25-26 Revenue Projections Summary, sales tax receipts are projected to only grow around 2.8 percent over current year receipts. Taking into consideration these factors, I have placed in the budget a sales tax revenue figure that reflects a 1.5% growth rate over the amount the town is expected to receive this current fiscal year.

While the revenue from the collection of sales tax was once on par with property tax levies, the revenues from sales tax have been outpaced by the growth in property tax revenues since 2002 and now only accounts for 26% of all revenue collected (see *Table 4*). The reason is two-fold: The initial loss in population from the 2000 Census combined with significant increases in tax values due to new housing construction has created a significant revenue disparity between sales tax revenues and property tax revenues. Please note that though sales tax revenues are an important source of revenue, the revenues derived from property taxes are more stable and less subject to economic changes. Furthermore, the method of how sales tax is distributed to the municipalities is solely up to the County to decide. In Onslow County the current method for distribution is based on the amount of tax levy (ad valorem).

In determining revenue projections for state collected revenue (Powell Bill Funds, the Wine and Beer Tax and the Utilities Franchise Tax), I rely heavily on the estimates established by the N.C. League of Municipalities and known trends. The revenue received from the state collected revenue (the Wine and Beer Tax and the Utilities Franchise Tax) is based on a multitude of economic factors and percentage formulas developed by the State. I am anticipating Utilities Franchise Tax revenues to be marginally higher for FY 25-26 and a

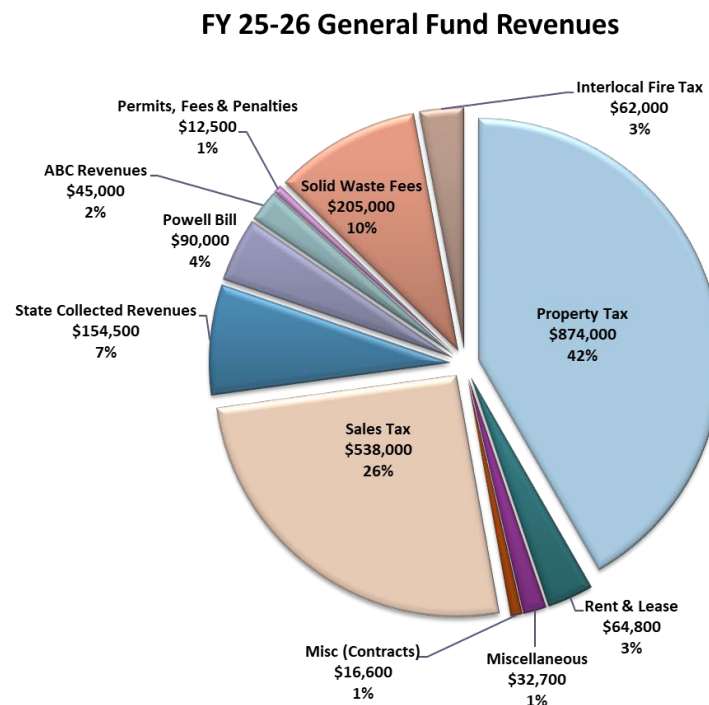
slight decrease in the Cable Franchise Tax, though the percentages are in the six-seven percent range for both revenues.

Annual Powell Bill funding is a product of the number of miles in the town street system (75%) and the town's certified population (25%). For FY 25-26 the certified population is 2,520, which is an increase of 102 people from last year. Municipalities receive Powell Bill funding twice a year, in October and January. The total amount of statewide Powell Bill funding is subject to the needs and wants of the NC General Assembly, with the FY 24-25 allocation totaling 185.875 million. To develop a usable number to budget, I taken the current fiscal year distribution amount of \$88,965 and accounting for population growth, have budgeted \$90,000 in Powell Bill funds for FY 25-26. No monies are being budgeted from either State grant funds available for mosquito control operation or the Governor's Highway Safety Grant. Please note that \$32,500 is appropriated from fund balance in FY 25-26 in order to balance the budget.

I am proposing zero increases or changes to the Planning and Zoning fees and the rental fees for the Community Building will remain the same. The monthly solid waste and recycling collection fee will remain at \$17.00 per cart. A more detailed explanation of the solid waste fees and services is provided in a later section of this document.

The proposed fee increases are listed in the attached Proposed FY 25-26 Fee Schedule. To recap, the town can expect low to medium revenue growth with the primary gains coming from consistent residential and commercial gains, moderate sales tax receipts and the continued cost savings provided by the solid waste contract. Revenues by category are referenced in *Table 2* and in chart form in *Table 4*.

Table 4



Expenditures

For FY 25-26, the town will incur approximately \$3,022,000 in long term debt to pay for the proposed street improvement plan and an additional \$35,500 in obligated debt expenditures and/or debt payments for the purchase of department vehicles. A total of \$112,500 is budgeted for capital and non-capital items, which is explained in further detail in a later section and is illustrated in Table 6. To better map out our current and projected needs and capital expenses I have included the five-year Capital Improvement Plan (CIP) for 2025 and can be seen below in Table 5. The CIP is a comprehensive list of all anticipated and potential departmental needs over a five-year span. However, not all items listed on the CIP are obligated or guaranteed to be part of a future budget but a roadmap for future needs. Please note that items such as the annual street sweeping contract costs or annual street and sidewalk repair costs are not included in the CIP. Rather these are operational costs and not considered capital expenditures in the normal sense of the word.

Table 5

Richlands Capital Improvement Plan

GENERAL FUND CAPITAL PROJECTS

These items meet or exceed the Capital threshold of \$5,000 per item as set by the Board.

Department	Capital Expenditure	Funding Source	Total Amount	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30
Public Buildings	Venters Park Improvements Grant	Grant	\$330,000.00	\$330,000.00				
	Old RVFD Building	General Fund	\$120,000.00	\$20,000.00				\$100,000.00
Public Safety	Police Radios	General Fund	\$0.00					
	Police Vehicles	Debt Service or Purchase Outright	\$160,000.00	\$16,000.00	\$32,000.00	\$48,000.00	\$32,000.00	\$32,000.00
Public Works	2025 Steet Improvement Plan	Powell Bill, Loan and General Fund	\$3,442,700.00	\$3,022,000.00	\$105,175.00	\$105,175.00	\$105,175.00	\$105,175.00
	Pickup Truck	Debt Service or Purchase Outright	\$111,500.00	\$19,500.00	\$72,500.00	\$19,500.00		
	Sidewalk Repair	General Fund			\$19,000.00	\$32,000.00	\$20,000.00	
	Ventrack	General Fund						
GENERAL FUND CAPITAL TOTAL			\$4,164,200.00	\$3,407,500.00	\$228,675.00	\$204,675.00	\$157,175.00	\$237,175.00

GENERAL FUND NON-CAPITAL PROJECTS

These items do not meet or exceed the Capital threshold of \$5,000 per item as set by the Board.

Department	Capital Expenditure	Funding Source	Total Amount	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30
Governing Body	Netbook Replacement	General Fund	\$5,400.00		\$5,400.00			
Administration	Computer Hardware	General Fund	\$5,700.00					\$5,700.00
Public Safety	Computer Hardware	General Fund	\$3,800.00	\$1,900.00			\$1,900.00	
	Police Operational Equipment	General Fund	\$0.00					
Public Works	Computer Hardware	General Fund	\$1,900.00					\$1,900.00
	Operational Equipment	General Fund	\$2,100.00	\$1,050.00			\$1,050.00	
GENERAL FUND CAPITAL TOTAL			\$18,900.00	\$2,950.00	\$5,400.00	\$0.00	\$2,950.00	\$7,600.00

GENERAL FUND TOTAL PROJECTS

Department	Total Amount	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30
Governing Body	\$3,100.00		\$3,100.00			
Administration	\$8,150.00	\$1,350.00		\$5,000.00	\$1,800.00	
Public Buildings	\$736,535.00	\$10,845.00	\$10,445.00	\$3,945.00	\$381,300.00	\$330,000.00
Public Safety	\$195,284.00	\$13,942.00	\$43,242.00	\$49,600.00	\$56,500.00	\$32,000.00
Public Works	\$412,659.00	\$29,742.00	\$26,661.00	\$194,581.00	\$54,600.00	\$107,075.00
TOTAL GENERAL FUND IMPACT	\$1,355,728.00	\$55,879.00	\$83,448.00	\$253,126.00	\$494,200.00	\$469,075.00

Powell Bill expenditures in the amount \$117,200 is budgeted to account for routine street maintenance needs and any potential financing costs associated with the street improvement project. Of the \$117,200 budgeted, \$90,000 is the regular Powell Bill allocation and \$27,200 is being allocated for additional street and sidewalk maintenance and/or improvements, including expenses that fall outside the scope of authorized Powell Bill expenditures. For example, any maintenance to sidewalks located on state owned

streets is not considered authorized for Powell Bill expenditures. Please note that no Powell Bill funds are used to cover the salaries of the Public Works Department. The ADA Transition Plan adopted in 2022 has been completed in full and is no longer a budgetary concern.

Funds in the amount of \$20,760 have been appropriated in the budget to maintain the town's IT program, which includes the monitoring and service of the server and workstations, anti-virus, malware and hacking prevention, as well as weekly data backup services.

As mentioned previously, approximately \$112,500 is being budgeted between the departments for capital purchases and program improvements (see Table 6). The two largest capital expenditures in the budget are \$57,800 for the purchase of a new patrol vehicle and \$52,000 for a new pickup truck. The new patrol vehicle will replace one of several older vehicles that have over 100,000 miles and high run hours. The pickup truck will complement the existing fleet of vehicles utilized by the Public Works Department. The youngest pickup truck in the fleet is 2007 model. Unlike previous years, the vehicle purchases will be made utilizing installment purchase contracts with local lending institutions rather than purchasing the vehicles outright. Other non-capital needs currently budgeted include a workstation for the Police Department, and some new minor equipment for the Public Works Department. The \$112,500 in proposed departmental purchases and improvements for FY 25-26 represents 5.29% of the General Fund budget and is slightly higher than the previous year. A summary of departmental requests for all departments are provided in Table 6 as shown below.

Table 6

2025 Departmental Purchase & Needs Requests

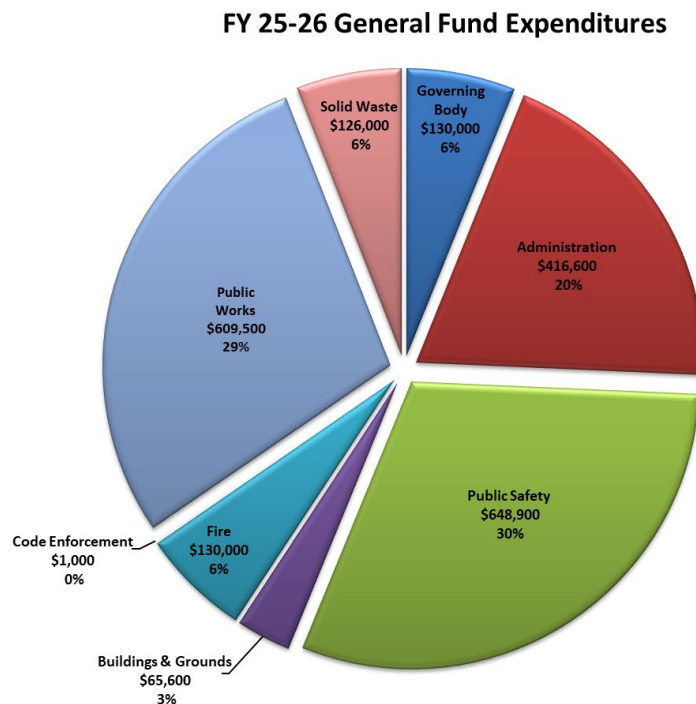
<i>Public Safety</i>	Patrol Vehicle	1	\$57,100		\$57,100
	Workstation	1	\$1,900		\$1,900
				<i>Subtotal</i>	\$59,000
				Total Budgeted	\$59,000
<i>Public Works</i>	Pickup Truck	1	\$52,000		\$52,000
	Handheld Edger	2	\$500		\$1,000
	Shop Heater	1	\$500		\$500
				<i>Subtotal</i>	\$53,500
				Total Budgeted	\$53,500
Total Requested					\$112,500
* Yellow highlighted items represent items included in proposed budget					
TOTAL BUDGETED					\$112,500

Due to new statutory requirements regarding the voting of budgetary matters of a non-profit where the members of a non-profit are also elected officials, I have not specifically budgeted any funds for the façade grant program provided by Revive Downtown Richlands nor the funds to cover the RDR insurance costs. The Board of Aldermen will have to approve any funding of RDR outside of the regular budget approval process and any Alderman that is an officer of the non-profit will need to be recused from voting on the funding. Departmental operating costs are not expected to change significantly though fuel and tire costs are expected to be higher than the previous year. Total health insurance premium costs will be 1.66% higher for FY 25-26. The annual contract fee for fire

protection by the Richlands Volunteer Fire Department will increase from \$40,000 to \$50,000 and the \$62,000 in Onslow County Interlocal Fire Service pass-through funds is budgeted as well.

Overall, I have attempted to budget departmental expenditures at a conservative yet realistic level to provide a high level of municipal services to the community. The cost breakdown for each department is highlighted in *Table 7*.

Table 7



Personnel Costs

Since staff do the essential work of the town, total payroll including salaries and benefits, accounts for 55.95% of the proposed General Fund budget, which is 3.1% more than the current fiscal year. Due to the increasing cost of basic living expenses and in order to remain competitive in a tight employment market, I am proposing a COLA of 5% for all full-time employees.

Accounting for the cost-of-living adjustment and market in employee pay, the total payroll including benefits for FY 25-26 is \$35,944 *more* than FY 24-25. Pay adjustments notwithstanding, the payroll increase also includes the increase in the newly established retirement rate and raising the 401k contribution to 5% for all employees instead of just law enforcement personnel. The retirement rate for non-law enforcement personnel is increasing from 13.6% to 14.35% and the retirement rate for law enforcement personnel is increasing from 15.04% to 16.08%. The new retirement rates account for approximately \$7,223 in additional costs from FY 24-25. I firmly believe that properly investing in the maintaining and recruiting of excellent staff brings a multitude of dividends to our organization and community.

Salaries for the Mayor and Board of Aldermen have not changed and are budgeted at the following levels:

Mayor	\$2,016
Mayor Pro-tem	\$1,701
Aldermen	\$1,323

Sanitation

The contract with GFL Environmental to provide for the collection and disposal of residential solid waste and recyclables in the Town of Richlands was awarded in 2021 and will expire on June 30, 2026, pending any extensions or renewals. The town's monthly contract cost per cart for FY 25-26 will be \$10.09, up 2% from the current year. The monthly per cart cost is still low enough for the town to cover all expenses related to the collection and disposal of solid waste and recyclables without needing to adjust the charge to the residents. Recycling costs remain high but have stabilized somewhat and the landfill fees that were raised last year will remain the same. Therefore, I am proposing that the residential solid waste fees remain at \$17.00 per cart per month, which includes the residential recycling program and when comparing our combined rate to other communities nearby our rate is still one of the lowest in the area.

Barring any extensive jumps in costs to recyclables and/or landfill fees the current solid waste disposal contract with GFL Environmental will enable the town to maintain the same customer rate for the duration of the contract. The total cost for solid waste collection (GFL) and disposal (landfill) for FY 25-26 is projected to be approximately \$165,691 and accounts for 1020 carts per month. The number of carts serviced monthly will increase as more residential units are built in town. Please note that all landfill fees are paid for by the town, including weekly solid waste disposal, disposal of recyclables and any items and materials collected on Wednesdays as part of the town's bulky item pickup program.

Buildings and Grounds

As mentioned previously in this message, the town has been awarded a \$330,000 Rural Transformation Grant to provide upgrades and amenities to Venters Park. The primary function of the grant is to install and/or construct permanent restroom facilities onsite and potentially construct a permanent activity stage to allow for events, concerts and the like to take place. Please note that any amenities or upgrades that the town chooses to construct outside the scope of the grant will have to be funded solely by the town. A Capital Project Ordinance to finance the Venters Park Improvements was adopted on April 9, 2024 and amended on April 8, 2025. All grant funds must be spent by December 31, 2026 to remain eligible for reimbursement.

Miscellaneous

On August 11, 2020, the Town of Richlands approved an economic development agreement between the Town and Sylvester Farms Investments to provide for the annexation of 9.92 acres of commercially zoned property along Highway 258/24 that is contiguous to the town limits of Richlands. As per the agreement the town agrees to contribute to the future

installation of a traffic signal at a newly created intersection directly across from the entrance to Richlands High School. With the traffic signal installed the town is required to annually contribute funds equal to 50% of the tax ad valorem value of the annexed property. The FY 25-26 cost to the town is \$ \$12,650.31. This amount is not specifically budgeted and will instead be left to fund balance unless otherwise authorized.

To address our larger town-wide street paving needs I am in the process of securing adequate financing and lending terms for a comprehensive street improvement project. The \$542,741 the town received in Coronavirus Local Fiscal Recovery Funds along with the Board dedicating up to \$330,000 in additional funds for the project will determine how much we ultimately will need to borrow.

Conclusion

I firmly believe that the proposed budget will meet the citizen demand for efficient and effective municipal services without compromising the fiscal integrity of the Town, as well as meeting the funding priorities of the Board as established at the Budget Workshop. I have included a complete fee schedule and other appendices for your review. Please feel free to contact me at any time at your convenience if you have any questions regarding the proposed budget.