



May 4, 2026

The Honorable Ronnie Michael
Members of the City Council
Albemarle, North Carolina

Dear Mayor Michael, Members of the City Council and Residents:

Attached for your review is the proposed budget for the Fiscal Year beginning July 1, 2026. I am pleased to report that the City will again discharge all its financial obligations for the current budget year, and that we project the City will close the year in good financial position and with adequate fund balances in all funds. This remains in large part due to the fiscal restraint of the City's elected officials and employees who have endeavored to ensure that the City government operates within its means.

Developing a balanced budget that meets the needs of our community is a complex task, especially given the escalating costs of operations and the increasing demands placed on the City of Albemarle. One persistent challenge arises from the constrained revenue structure imposed on municipalities in North Carolina, which limits our revenue options and heavily relies on property taxes. As you are all aware, this year, there is uncertainty about municipalities' continued abilities to maintain local property tax authority as state lawmakers consider new limitations. In addition, costs of providing services have increased along with costs for capital improvement projects.

Strategic Plan Progress

Before discussing the proposed budget, it's important to highlight our significant progress in advancing the five goal areas of the City's award-winning strategic plan. This plan incorporates the input of City residents, staff, and elected leaders. The City's Strategic Plan provides transparency, encourages collaboration, and supports organizational accountability. Since the Strategic Plan's adoption, community survey results show improvement in Albemarle as a place to live and raise a family. Additionally, residents have noted improvements in feeling of safety, diversity of businesses and services, and parks and open spaces.

Strategic Plan Goal – Organizational Capacity – Highlights

- Continued implementation of the City's Compensation Philosophy by completing the annual salary study for roughly one-third of the workforce
- HR and Finance supported onboarding of ten additional firefighters
- HR Director supported staff training and organizational development through:
 - High potential leader classes
 - Supervisory skills training

- Employee action group
- Onboarding programs
- HR Director collaborated with departments to develop career ladders

Strategic Plan Goal – Safety & Security – Highlights

- Albemarle Fire Department earned an ISO Class 2 rating, placing it among the top 5% of NC fire agencies
- Ordered a new ladder truck valued at \$2.5 million
- Invested nearly \$180,000 in Station 1 roof replacement and Station 2 repairs
- Albemarle Police Department invested \$484,000 in new in-car camera systems
- APD Purchased and upfitted three patrol vehicles for \$200,000

Strategic Plan Goal – Infrastructure – Highlights

- Budgeted a record \$1.3 million for street preservation and maintenance
- Completed selection of a new solid waste collection service provider
- Trees and brush were trimmed along nearly 300 miles of electric lines the most ever completed
- Upgraded electric system capacity by replacing power lines off Highway 138 and Highway 73
- AMI project with nearly all residential meters scheduled for replacement this fiscal year
- Completed Moss Springs Pump Station upgrade, increasing capacity
- Upgraded SCADA systems for improved plant operations management
- Entire City wireless environment was replaced and updated

Strategic Plan Goal – Community & Economic Growth Opportunities – Highlights

- Secured a \$350,000 Rural Building Reuse Grant for the new Atrium Health clinic in partnership with Stanly County and provided an Albemarle Downtown Area Revitalization (ADAR) grant for the project
- Guided approval of *Envision Albemarle 2045*, the City’s comprehensive land-use plan
- Began construction on the Five Points Streetscape Project
- Hosted nearly two dozen site visits from interested industries at the Albemarle Business Center (ABC)
- Received Electricities of NC’s first-ever Innovation in Economic Development Award for the Downtown Catalyst Grant Program. This program leveraged over \$1.5 million in private investment with \$90,000 in grant awards

Strategic Plan Goal – Inclusive Community Engagement – Highlights

- Hosted the Food Truck Friday series at City Lake Park attracting more than 15,000 attendees from 40 zip codes
- Added an accessibility toolbar to the City’s website
- Communications Director played a leadership role in planning America 250 events locally and countywide
- All Stanly County third graders visited Albemarle City Hall for civics and history education
- City to host the county’s signature America 250 event, including its first-ever drone show

- Installed new entrance signage at City Lake Park
- Installed new concrete walkways at Don Montgomery Park to improve accessibility

Proposed Budget & Continued Alignment with the Strategic Plan

The proposed budget for FY 26/27 reflects the efforts of City Staff and Elected Leaders undertook to update the City's Strategic Plan.

Through the strategic plan update process, the City accomplished the following:

- Affirmed the strategic plan's foundation: the vision, mission, and core values
- Evaluated and confirmed the continued relevance of the three-year goals
- Developed new strategies to advance the goals
- Initiated development of the Year One Implementation Plan for FY2027
- Identified opportunities to improve the strategic plan's monitoring and evaluation framework

A Budget for Now & Our Future

In building the budget for FY 26/27, we recognized the need to address long term commitments that will impact the budget in the coming years. This year, departments were directed to cut their operating budgets by 3%. These budget cuts have been reinvested into capital needs, something we've struggled to fully fund on a consistent basis. Additionally, these operating budget cuts are being used to plan for the full cost of the SAFER grant's 10 firefighters without needing additional revenue.

Proposed Budget

The proposed General Fund budget is \$25,049,003 and is balanced with ad valorem tax rate remaining at .61 per \$100 of valuation and an appropriation of unrestricted fund balance of \$345,000. This budget represents an increase of \$119,925 from the current year's original General Fund Budget of \$24,929,078.

54% of the total General Fund budget is allocated to the Police and Fire Departments. As in the past, more than 100% of all property tax revenue collected by the City will be required to fund the Police and Fire Departments. These two Departments are projected to cost \$13,557,630 while property tax revenue collections are projected to be only \$12,153,915. It would require a 7-cent tax increase for property taxes alone to fully fund these two services. This demonstrates the importance of continuing to grow the economy and local tax base.

The proposed FY 26/27 budget continues the steps we've taken to address staffing needs throughout the organization. The first goal in the Strategic Plan is Organizational Capacity, for a reason. Everything we do as an organization starts with people.

A year ago, Centralina completed a staffing study for all City Departments. Centralina received a national award for its efforts to analyze and determine workforce levels necessary to continue high quality services to citizens and to support existing staff as the City continues to grow and service demands increase. The study was informed by analyzing staffing levels of comparable Cities and engaging City leadership. This study identified several positions needed to meet increased service demands and to calibrate staffing and revenue relative to the growth the City is experiencing.

This budget includes the first step to implementing the results of the study. Two positions, a Grants Administrator/Budget Analyst and Employee Support Specialist have been recommended in this budget due to the value they can bring to the entire organization. As City Manager, I've seen how both positions are needed on a daily basis to support the work of all City departments.

City business has become more complex with more financial transactions, meaning more oversight is essential to meet growing regulations. For example, the City has numerous active grants under management with more expected. Additionally, as we encounter the possibility of additional restrictions on revenue, the importance of grants and grant management will increase. It's important to note that budget management does not end with the development of a new budget. Management of the budget occurs on a continuous basis.

For our Human Resources Department, employment laws and regulations continue to grow. Additionally, with an increase in the workforce, compliance tracking must also rise to meet regulatory requirements. The job market of today is more competitive and requires more time to recruit the top talent. In addition, employee needs have increased. Proactively serving employees today requires significantly more support resources than in the past. Employees evaluate an organization on more than just salaries and benefits, they also account for workplace culture. Additional employee support helps create a more wholistic approach to employee recruitment, retention, and engagement.

Over the past five years, we've made significant progress to meet the needs of frontline departments by adding staff to the Police Department, Fire Department, Public Works, and Public Utilities. It is my professional recommendation that it is now time to offer the same support to the departments who provide essential service to our frontline employees.

The two requested positions will reduce costs to the General Fund as they will be funded through the elimination of the Assistant Director of the Parks and Recreation position. These positions are expected to be cost effective in that each will help find cost savings to the City. Potential cost savings could relate to future health care plans, identifying efficiencies in future budgets, and locating additional grant funding for various departments.

General Fund Projects FY 26/27

Notable projects and expenditures in the General Fund for FY 26/27 include the following:

1. Employee Health Insurance increase is estimated at 2% (significantly lower than the 30% increase experienced in FY 2026)
2. Emergency Response Grant (SAFER Grant) Expenses in FY 2027. These expenses are associated with the 10 grant funded firefighter positions. (Grant funding for salaries will continue to decrease through FY 2027. In FY 2028 half of the amount will be paid through City funds and in FY 2028-2029 the full amount, approximately \$850,000 will be paid through City Funds)
3. Unified Development Ordinance to implement Comprehensive Land Use Plan
4. Funding for Internship Program
5. Continued street maintenance and improvement of the 5-year plan.
6. Expanded marketing for the Albemarle Business Center.
7. Continued funding of the Catalyst Grant Program.
8. Vehicle for Economic Development/Administration
9. Funding for a Continuity of Operations Plan and Emergency Action Plan

Capital Improvement Plan (CIP)

The five-year Capital Improvement Plan (CIP) which I am recommending be adopted with this budget includes the following highlighted projects from the General Fund:

1. Police Vehicles Fleet Program (7 vehicles)	\$360,000
2. Fire Station 3 Renovation	\$160,000
3. Police Ballistic, Tactical, and Forensics Equipment	\$102,000
4. Downtown Christmas Ornaments	\$65,000
5. Fleet Maintenance Covered Shelter Lower Shop	\$60,000
6. Diesel Exhaust Fluid (DEF) Tank	\$46,000
7. Other Capital Items	\$155,000

Powell Bill Fund FY 26/27

The Powell Bill fund is proposed at \$743,520 and represents an increase of 5% from the current Powell Bill budget. The budget for FY 2026 was \$710,141.

Water and Sewer Fund FY 26/27

The Water and Sewer Budget is proposed at \$16,861,954 which is an increase of 4% over the current Fiscal Year. The proposed budget recommends no increases to water rates, assessment rates and tap fees.

The water and sewer budget includes the following highlighted projects:

1. Camera van replacement	\$500,000
2. Highway 52 Water Treatment Plant Reservoir Repairs	\$300,000
3. Dump Truck	\$130,000
4. Distribution Flow Meters	\$105,000
5. Service Truck Replacement	\$85,000
6. Flocculators	\$75,000

Electric Fund FY 26/27

The Electric Fund has a proposed budget of \$32,879,149. This represents a decrease of 12.5% over the FY 2026 Budget. The proposed budget does not recommend a rate increase. It is recommended that fees associated with payments through credit cards be passed on as a user fee to customers who elect to pay by this method. Currently the electric fund absorbs these costs which essentially passes them on to all customers regardless of payment method. Also, adoption of cost recovery fees associated with electric service installation is recommended. These fees are charged by many of our peer communities and will pass on the costs of installation to users of these services.

The electric fund contains the following notable projects

1. Boom Truck Replacement	\$300,000
2. Electric SCADA upgrades	\$150,000
3. Electric Substation Cameras	\$30,000

Solid Waste Disposal Fund (Landfill Fund) FY 26/27

The Solid Waste Disposal Fund has a proposed budget of \$5,073,361 for FY 2027. This represents an 18.5% increase compared to FY 2026. The disposal fee is proposed to increase by \$2.00 per ton for Municipal Solid Waste and \$2.00 per ton for Land Clearing.

Major expenses for the Landfill include:

1. D6 XE Caterpillar Dozer	\$830,000
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Solid Waste Collection Fund FY 26/27

In FY 2025 the Solid Waste Collection Fund was moved from the General Fund to a self-funding enterprise fund. The fund has a proposed budget of \$2,992,753 which represents an decrease of 6%. Fees are utilized to fund the solid waste collection contract and collection of white goods, bulky materials, leaves, and limbs. The solid waste disposal fee remains unchanged at \$4.62 per month and the Solid Waste Collection fee remains unchanged at \$30.55 per month.

Public Housing Fund FY 26/27

The Public Housing Section 8 proposal reflects a total budget of \$1,163,660 in FY 2027 which is approximately unchanged from FY 2026. While the Conventional Public Housing Budget is proposed at \$1,735,321 which is an increase of 7% from the FY 2026 budget.

Health Insurance Fund FY 26/27

FY 2027 begins the eighth year of a self-funded health insurance program. The proposed budget for this fiscal year reflects a total budget of \$5,061,245 which is an increase of 2% from the 2026 budget.

Employee Compensation FY 26/27

In all funds the budget provides for compensation increase in the cost-of-living adjustments (COLA) and merit pay. The COLA which would go into effect after budget adoption is recommended at 2%. Merit pay of up to 2% has also been funded as part of the City's performance evaluation program and would go into effect after budget adoption.

This year, Departments have been asked to forecast pay increases employees may receive from position reclassifications, earned certifications or other credentials. In total \$155,185 is provided in the budget to address various forecasted increases.

Funds totaling \$107,080 have been budgeted for adjustments as recommended by the City's annual 1/3 market study to maintain competitiveness in the employment market, promote recruitment of new employees, and encourage retention of existing employees.

This budget also funds mandated increases in the City's contribution on behalf of employees to the NC Local Government Retirement System for general employees. The increase this year is to 15.10%. For law enforcement, the increase is to 17.10%.

A 1% 401 K contribution increase is also proposed for general employees, bringing the total city contribution to 3%.

Conclusion

The proposed Fiscal Year 2027 budget represents a comprehensive financial plan designed to ensure the continued delivery of high-quality municipal services. In developing this budget, the City has sought to advance multiple objectives while maintaining fiscal responsibility. The primary objectives include:

- Fulfilling the statutory obligation to provide essential municipal services that protect the health, safety, and welfare of residents.

- Upholding fiduciary responsibilities by operating within a fiscally conservative framework.
- Continuing progress toward the goals outlined in the City's Strategic Plan.
- Replacing aging and unreliable infrastructure and equipment.
- Encouraging private sector investment citywide, particularly within the core business district, through targeted economic development initiatives.
- Recognizing and rewarding employee performance through merit-based compensation adjustments.

I would like to express my appreciation to the Mayor and City Council for their input into the budget process, and to the members of the City's management team and entire City staff for development of their departmental budgets. I would like to particularly thank our Finance Director for his role in budget development.

Copies of the budget are being made available to the news media in Stanly County, and a copy will be placed at City Hall, on the City's website, and in the Stanly County Public Library in Albemarle. A public hearing on the budget should be set for Monday, June 1 at 6:30 p.m.

Sincerely,

A handwritten signature in black ink, appearing to read "Darren E. Rhodes", with a long horizontal flourish extending to the right.

Darren E. Rhodes
City Manager
City of Albemarle