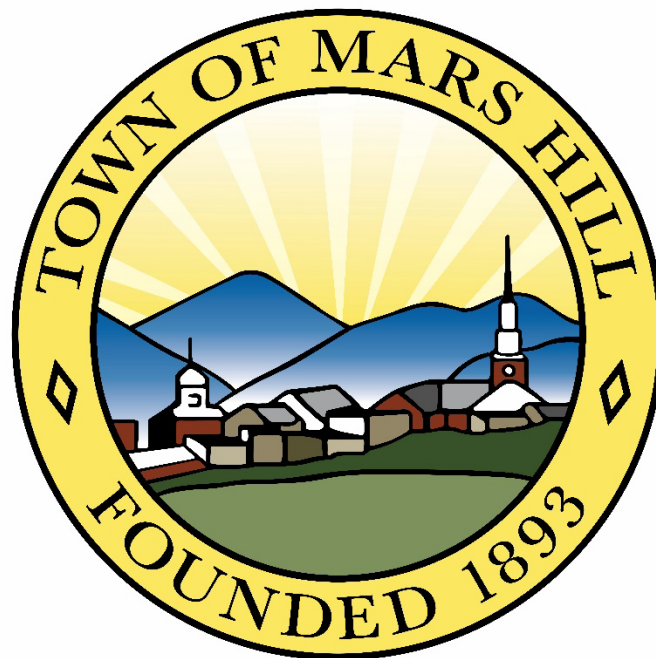


TOWN OF MARS HILL

FY 2026 – 2027

BUDGET MESSAGE



June 1, 2026

**Nathan R. Bennett
Town Manager**

TOWN OF MARS HILL BUDGET MESSAGE

FISCAL YEAR 2026-2027

*To the Town of Mars Hill Mayor and Board of Aldermen
and Citizens of the Town of Mars Hill:*

In accordance with North Carolina General Statute 159-11, the Town of Mars Hill Fiscal Year 2026-2027 proposed budget is respectfully submitted for your review and consideration. The proposed budget sets forth a plan of operations for all Town departments, programs, and initiatives for the coming year. This proposed budget is balanced in accordance with the Local Government Budget and Fiscal Control Act with General Fund revenues and expenditures each totaling **\$3,618,151**, a 5.63% increase over the prior year. The Water and Sewer Fund is balanced with revenues and expenditures each totaling **\$1,467,976**, a 2.2% increase over the prior year.

INTRODUCTION

This budget message will introduce the Town of Mars Hill Fiscal Year 2026-2027 proposed budget. The budgeting process begins in early spring with management requesting proposed appropriation use plans from departments, agencies, and other Town-supported entities. Management takes those requests and develops a balanced budget in line with expected revenue from numerous sources. This document will provide a summary of how the Town plans to utilize its fiscal resources and will highlight significant impacts to the Town's budget. I am pleased to present this budget that provides the tools and resources necessary for an effective and efficient government for the Citizens of the Town of Mars Hill.

REVENUES

It is the priority of elected officials and management to operate Town government in a professional, efficient, business-like manner. This budget provides a priority spending plan that attempts to minimize the tax burden on the Town taxpayer. The Town's primary general fund sources of revenue are property, sales, and utility franchise taxes.

One very important economic metric in the development of municipal budgets is the Consumer Price Index as it is an indicator of the movement of product costs throughout the year and what the economy is doing from a consumer perspective. U.S. consumer prices rose an additional 0.6% in April, bringing the annual inflation rate to 3.8%—the highest pace since May 2023 – year over year. The U.S. Bureau of Labor Statistics reported that surging energy costs (specifically gasoline) and shelter drove the majority of the monthly increase. Energy costs are due specifically to current U.S. military action in Iran and currently the situation appears unchanged and likely to remain a key economic factor through at least the end of this calendar year. A significant portion of the Town budget is impacted by these high energy costs as Town services include significant use of police, fire, and public works vehicles. This inflationary growth could significantly impact local sales tax collections and other similar revenue sources vital to the Town budget.

Regarding the general fund, management recommends no change to the current property tax rate for Fiscal Year 2026-2027. The property tax rate is recommended to be maintained at the current rate of \$0.34 (thirty-four) cents per \$100 (one-hundred dollars) of valuation. This rate is based upon the total property valuation of

approximately \$295,603,534 pursuant to information provided by the Madison County Tax Office. The FY 2027 amount of property tax expected for appropriation in the budget with a collection rate of 98% is \$984,951. This proposed budget anticipates sales tax collections to continue to provide a strong revenue source. Ultimately, property tax combined with miscellaneous revenues from sales tax, investment interest income, various fees, and other general fund sources, including specific function revenue sources such as the Madison County fire tax levy for the Mars Hill Fire District and state Powell Bill funds for street maintenance, are anticipated to total \$3,618,151.

The water and sewer fund is an enterprise function which is required by the State of North Carolina to be supported only by the revenue generated from the service provided. In keeping with established Town policy, management recommends a 2.5% increase in water and sewer usage fees. Management also recommends a modest increase to the late fee charged for delinquent monthly service from the greater of \$5.00 or 5%, to a proposed rate of the greater of \$10.00 or 10%. A survey of surrounding jurisdictions found that the Mars Hill fees are currently significantly less than our peer group. In addition, management recommends an increase in the standard monthly meter charge from \$3.50 to \$5.00. This will allow the Town to implement an aggressive project to update the remaining 300-plus manual read meters to radio read meters. Taken together, these increases in water service fees are necessary to keep the water and sewer fund solvent while providing safe drinking water, processing wastewater, and making necessary capital improvements to the water and sewer system. The system is financially strong, and consistent stewardship is necessary to maintain that status. The Water and Sewer Fund anticipate total revenue from customer charges, fees, and miscellaneous sources totaling \$1,467,976.

EXPENDITURES AND INITIATIVES

The Town of Mars Hill is dedicated to sound fiscal management, capital planning, and responsible day-to-day operations. Accurate budget projections and a disciplined approach to budget administration have allowed the Town to successfully maintain essential public services, enhance public safety, make strategic investments to support community and economic development while maintaining financial stability. This budget is a comprehensive document that addresses the fiscal needs of some twelve (12) departments and affiliated agencies. The intention of this section is to highlight some of the larger appropriations for departments and key initiatives included in the budget.

1. ***Fire Department:*** The Mars Hill Fire Department is a Town department that also serves county residents in the surrounding Mars Hill Fire District. The Department employs eight (8) full-time paid staff with 30 volunteers. It is vital that the Department has the equipment and resources needed to respond to any emergency whether it be a manmade or natural disaster. There is funding in this budget to fully fund increased personnel costs, including health insurance and retirement contributions mandated by the N.C. State Health Plan and Local Government Retirement System, respectively. There is also funding recommended for capital equipment, including replacement of equipment and response gear. The total fire department budget is recommended for an appropriation of \$1,146,570, utilizing revenue from the fire tax district and additional town funds.

2. ***Police Department:*** The Town is committed to providing our citizens and visitors with a professional police force to ensure the safety and security of our community. The Department employs seven (7) full-time paid officers. Mars Hill continues to experience community growth with an expanded response area and increased service calls. The Department focuses on community policing activities and ensuring officer safety. As always, funding is included for increased personnel costs for health insurance, retirement contributions, and supplemental retirement expenses. This budget also proposes funding the acquisition of a replacement patrol vehicle and other needed equipment and training. The total police department budget is recommended for an appropriation of \$888,769.

3. **Water and Sewer System:** The Town continually makes capital improvements to the water and sewer system. Early in this fiscal year, the Town was awarded two Asset Inventory and Assessment grants from the N.C. Department of Environmental Quality for \$150,000 each for the water and wastewater systems. These grants will provide for thorough assessments of these vital systems, develop capital improvement plans, and identify needed improvements. This important work has begun and will continue throughout FY 2027. The budget provides matching funds for these grants. In addition, construct began in May 2026 on the grant-funded project to install 1,200 LF of new sewer line and 2,200 LF of new water line from the new sewer pump station at I-26 Exit 11 southward along Calvin Edney Road. This project is scheduled to be completed by September 2026, and an appropriation of \$488,466 in the Capital Projects Water/Sewer System Improvements Fund is recommended. This appropriation realized grant funding from the Appalachian Regional Commission and the Dogwood Health Trust through the Land of Sky Regional Council. In addition, construction of the NC 213 waterline and 300,000-gallon water storage tank is nearing completion. This \$4.4 million project is funded by a direct appropriation from the N.C. General Assembly to Madison County. The County is the contracting entity, however, upon completion of the project the assets will be transferred to Town of Mars Hill ownership as part of the Town water system, and as such, the Town will gain important assets to manage and operate. Separately, the Town has identified multiple wastewater projects, including improvements at the wastewater treatment plant, a new wastewater lift station on Carl Eller Road near exit 11, and an extension of the wastewater collection system along NC 213, to the Bailey Gap area, that will be funded through an additional direct appropriation from the N.C. General Assembly to Madison County. These Mars Hill projects will receive approximately \$7.4 million to complete them. Aside from capital projects, this proposed budget provides funding for capital outlay to improve lines and system appurtenances, including conversion of the approximately 350 remaining manual-read water meters to radio-read meters, facility security fencing, installation of a standby generator for Cavin Edney wastewater lift station, and water tank/water treatment plant/wastewater treatment plant preventative maintenance projects.
4. **Employee Compensation:** Town employees work hard to provide a safe, secure, healthy, and prosperous community. To keep good employees in all sectors of Town employment, particularly in the current highly competitive job market, compensation commensurate with the knowledge and skills in consideration of the current labor market and economic circumstances is necessary. This budget recommends an across-the-board cost-of-living pay increase of \$2,000 per year for all permanent full-time employees and \$1,500 per year for permanent part-time employees. In addition to compensation, there are mandatory increases in the Local Government Retirement System of 12.87% from 15.15% to 17.10% for Law Enforcement and 4.38% increase from 14.38% to 15.01% for all other local government employees in the retirement system requiring a significant additional contribution from the Town.
5. **N.C. State Health Plan:** The Town, by statute, is a local government member of the N.C. State Health Plan, administered by the N.C. Department of State Treasurer. The State Health Plan provides Town employees with the health insurance benefit. Last year, in addition to raising the Town and employee premium cost and implementing a salary-based tier system, the State Health Plan imposed a “membership fee” upon the participating agencies that belong to the Plan. This new fee is 2.4% of the members’ total employee payroll, whether all those employees are enrolled in the Plan or not. This new fee is estimated to add an **additional \$45,000** to the Town’s cost to provide employee health insurance. This fee could be higher based on overtime and other employee compensation changes that may occur throughout the year. This estimated fee is included in the various departments where the retirement contribution is calculated as the 2.4% fee is determined by the amount of retirement eligible payments. In addition to this new fee, the Town expects another significant

increase to premiums that will become effective January 1, 2027. However, the Plan has not approved or announced those new premiums, thus management anticipates coming back to the Board at mid-year to consider an amendment for those costs should that be necessary.

BUDGET SUMMARY

The leadership of the Mayor and Board of Aldermen together with the diligent work of Town employees, has resulted in a financially stable, effective, and efficient Town government. This has allowed the Town of Mars Hill to undertake a number of capital projects for the long-term improvement of our community while at the same time providing excellent day-to-day services our citizens deserve. The goal of this proposed budget is to provide financial resources to continue the excellent work that all departments, agencies, and community partners do to move the Town of Mars Hill forward.

Respectfully submitted this 1st day of June, 2026.

A handwritten signature in black ink, appearing to read "Nathan R. Bennett". The signature is written in a cursive, flowing style.

NATHAN R. BENNETT,
Town Manager