

Town of Danbury

BUDGET MESSAGE FY 2026-27

To: Mayor Gary East
Council members Steve Shelton, Shannon Conner, Jacob Tilley, Andrew Mathys

From: Mike Barsness, Town Administrator

Date: May 14, 2026

Subject: Proposed Operating Budget for Fiscal Year 2026-27

Introduction

In accordance with the North Carolina Local Government and Fiscal Control Act (G.S. 159-8), I am submitting for your review and eventual adoption a proposed balanced budget for Fiscal Year 2026-27. A Public Hearing has been scheduled for 6:30 PM on Wednesday, May 27, 2026, at the Danbury Public Library. After public comment is received, I will need any final budgetary direction from you no later than Wednesday, June 17th. On Wednesday, June 24th, I will present for adoption the final proposed budget for Fiscal Year 2026-27.

Message

The current state of Town finances remains strong and stable. The ability to provide services remains manageable with an available fund balance exceeding 340% of anticipated expenditures.

For the year ahead, economists express uncertainty when forecasting consumer enthusiasm given the recent uptick in energy prices and disappointing jobs reports in the U.S. Economic growth projections overall have been revised downward with inflation projections moving upward.¹ North Carolina, however, continues to experience moderate economic growth due largely to sustained population in-migration and business relocation. Positive NC data must be interpreted cautiously because the effects are localized meaning one region may experience high growth while other areas see no growth at all.

We now have nearly one year of revenue data since Stokes County and the Town of Danbury reduced tax rates in response to real property revaluation. The two-cent reduction in tax rate affected income for general sales tax, utility sales tax, and motor vehicle personal property tax. This loss was off-set by the large increase in property value. Therefore, it is possible to propose

¹ NCLM Projections for State-Collected Local Government Tax Revenue FY 26-27 pg 5-7

a 2026-27 operating budget that will continue to cover the usual services while safeguarding investments and not requiring additional fund balance.

The Stokes County Tax Administrator has estimated the total real property value within the Town of Danbury has *increased* by \$665,014.00 (+4%) after allowing for deferrals, tax relief and exemptions, based on the 2025 scroll.²

Revenue Collection Rate

When preparing the annual operating budget, the Town is prohibited from projecting the next year's revenue based on any collection rate higher than the previous year's *actual* collection rate³. According to 2025 tax records, Stokes County collected 98.08 percent of levied taxes.⁴ It is always prudent to be conservative when estimating revenue for a period of time yet to come. I am therefore budgeting based on an estimated collection rate of 97.0 percent. It should be noted that collection rates have been higher than 97% for all years in the last decade.

State-collected Taxes

NC Department of Revenue collects all sales taxes, e.g., general sales & use taxes, alcoholic beverage taxes, solid waste disposal taxes, utility sales taxes, and others. The local option sales tax portion on purchases made within Stokes County is then distributed to Stokes County and each municipality on a monthly basis. Stokes County has chosen Ad Valorem as the method to calculate distribution of sales taxes in proportion to the total amount of ad valorem taxes levied by each. Recent reductions in the ad valorem tax rate in Stokes County and Danbury has affected sales tax revenue receipts.

It is predicted that general sales & use taxes may see a small state-wide gain of 3.1% in FY 2026-27. Utility sales tax collection, over all, has been trending downward for the past several years. In addition, since natural gas is not available in Danbury, the sale of electricity has been the primary source of utility sales tax revenue and is expected to increase 0.85%. Of course, the weather in any given year has an impact on electricity usage and therefore affects the revenue generated. Telecommunications and video programming may decline 3.25% and 6.75% respectively⁵. All considered, utility sales taxes could decline modestly in 2026-27.

Alcoholic beverage tax revenue is expected to decrease approximately 2.0%.

² 2026 Town of Danbury Value Estimations

³ G.S. 159-13(b)(6)

⁴ Town of Danbury Assessment by Tax Rate, 2025 Scroll.

⁵ NCLM Projections for State-Collected Local Government Tax Revenue FY 26-27

FY 2025-26 Budget Proposal

Operating Expenditures for FY2026-27 are expected to increase slightly. This represents a 0.47% increase over FY 2025-26 as first adopted. While the bottom line is virtually unchanged, the needs have shifted for the next year. These adjustments will be discussed under *Budget Notables* below.

Projected revenue, proposed expenditures, and the tax rate selected for the coming fiscal year, will determine the amount of additional funding (if any) that will be necessary to balance the budget. See *Tax Rate Recommendation* below.

No capital projects are included in the FY 2026-27 proposed budget. Any list of projects, once prioritized and estimated costs are attached, can be funded through budget amendments or individual project budgets, as appropriate. Projects identified so far for FY 2026-27 include 1) town park improvements, 2) town hall porch replacement, 3) town welcome signs replacement, 4) trailhead improvements.

Looking Ahead

The Town's General Fund is described by the independent auditor as being very healthy with nearly three years of reserves.⁶ While this is a good position to be in when looking at assets relative to debt and fiscal obligations, it is also fair to say that we are one major (unanticipated) expenditure away from depleting those reserves. While it is true that the Town of Danbury carries no general obligation debt and has a debt margin of \$1,072,622.00, acquiring long-term *debt* to satisfy an immediate need, e.g., street paving, greenways, sidewalks, or even a sudden emergency, will simply add to the list of ongoing obligations in the form of *debt service*. This is inherently problematic in very small communities such as Danbury and, seemingly, there is no reasonable mechanism available to overcome this situation except for rare no-match grant funding. Fortunately, we were recently awarded two grants that allowed us to resurface our town streets without taking on the additional burden of debt.

This cautionary information regarding the Town's financial position is provided only as a reminder that our reportedly strong fiscal foundation is simultaneously fragile and must be shepherded in a fiscally conservative manner.

Tax Rate Recommendation

The current Danbury tax rate is set at twenty-five cents (\$0.25) per \$100.00 of assessed property value. This rate was established last year following the revaluation of all real property in Stokes County.

⁶ Gardner & Company Financial Statements YE 6-30-2025.

At the public hearing scheduled for May 27, 2026, you will be presented a balanced budget along with a recommendation to leave the tax rate at the current level of \$0.25 per \$100.

Budget Notables

Following is a list of notable facts regarding the FY 2026-27 Proposed Budget:

On the REVENUE side:

- Line 2 - Property tax collection is calculated at 97.0%.
- Line 4 - Motor vehicle tax collection is calculated at 100%.
- Line 5 - General Sales & Use Tax is budgeted at the same level as FYE 2025-26 based on state projections.
- Line 6 - Utility Sales Tax revenues are budgeted at the same level as FYE 2025-26.
- Line 8 - Income from investments will decrease from anticipated FYE 2025-26 approximately 16%⁷.
- Line 12 - Powell Bill allocation will remain near the 2025-26 level.
- Line 13 - No supplemental appropriation from Powell Fund Balance will be included.
- Line 15 – Additional appropriation from General Fund Balance is not necessary at this time.

On the EXPENDITURE side:

- Line 22 - Annual audit fees are expected to increase approximately 10%.
- Line 25 - The ad valorem tax collection fee has increased to 1.75%.
- Line 29 - Garbage collection costs may increase up to 4.7%.⁸
- Line 32 - No change to insurance rates.
- Line 36 - Miscellaneous expenses will increase due to replacement of summer banners.
- Line 37 - Office supplies must increase due to toner and paper costs.
- Line 38 - There will be no municipal election expenses in 2026-27.
- Line 44 - The town clerk salary line is decreased to reflect likely hours worked.
- Line 45 – This is a new expenditure account to cover costs for occasional training and other official meetings.
- Line 46 - Capital funds to replace the town entry signs and add town hall cameras are included.
- Line 47 - Street light costs are expected to increase.

⁷ NC Capital Management Trust

⁸ Table 2. CPI-U, U.S. City Average, Water and Sewer and Trash Collection Services(2), March YOY

- Line 48 - Street maintenance is focused on basic road repairs, roadside mowing, and snow removal. There could be additional repairs due to the recent town-wide water system project.
- Line 51 – Water/sewer system user fees will increase 17%.

Associated Documents

You are being provided this *Budget Message* along with the *Budget Explanation* and *Budget Expenditure Detail* to provide some line-item clarity and a foundation from which to generate questions or to direct changes prior to the public hearing on May 27th. Expenditure Detail gives insight into the details of accounts with subcategories.

Observations

The proposed budget, from the standpoint of expenditure, is very similar to years past with increases mainly due to inflation and its impact on cost for services. Projects, if any, can be added by amendment when decisions are made during the year.

Capital needs such as pedestrian accessibility, greenway, trailhead, and town park improvements will always press for attention. This requires an informed discussion regarding the Town's financial picture including opportunities, challenges and inherent limitations.

Lastly, I remind the Mayor and Town Council each year during budget preparation that we can balance a typical operating budget this year and likely for the next several years without significant impact on Fund Balance. However, the time has come to make critical decisions regarding inevitable change at the administrator position. Personnel costs are going to rise to a more realistic level. The town administrator is currently being paid for 25% of the hours worked at a rate of \$20 per hour, by his choice, and that has not changed in 15 years. This has resulted in a savings of about \$165,000.00 over that 15 year period. Going forward, the erosion of this savings to cover a presumed increase in personnel costs will eventually affect the ability to address future capital projects and will place limits on town service upgrades if new revenue sources are not identified.

Next Steps in Process

1. After reviewing the Budget Message and proposed ordinance, council members are encouraged to contact me with any questions or suggestions, preferably by Thursday, May 21, 2026.
2. A public hearing on the proposed budget is scheduled for Wednesday, May 27, 2026, at 6:30 PM. This hearing will be held at the Danbury Library.
3. Following the hearing, any additional public comment, if received, will be provided to Council through Thursday, June 11, 2026.

4. Between June 12th and June 17th, we will make any suggested changes to the proposed budget. During this time we will also get one last estimate of projected revenue and adjust the budget as necessary.
5. On Wednesday, June 24, 2026, at 6:30 PM, council will be asked to set the tax rate and adopt the budget for FY 2026-27.
6. Also at the June 24th meeting, council will need to adopt an *amended* year-end budget for FY 2025-26 in order to bring it into balance for eventual audit and close-out.
7. Copies of the Proposed Budget and Message are posted on the Town website and at Town Hall.

Respectfully Submitted.

MB

Attachments:

1. Budget Message
2. Sources of Revenue estimates
3. Budget Revenue and Expenditure Explanation
4. Budget Expenditure Detail