



NORTH CAROLINA

FY 25-26 BUDGET

Executive Summary

by Town Manager Reagan Parsons, ICMA-CM

- \$32.7M proposed budget for the General Fund.
- \$11.9M proposed budget for the Utility Fund.
- All existing services are maintained.

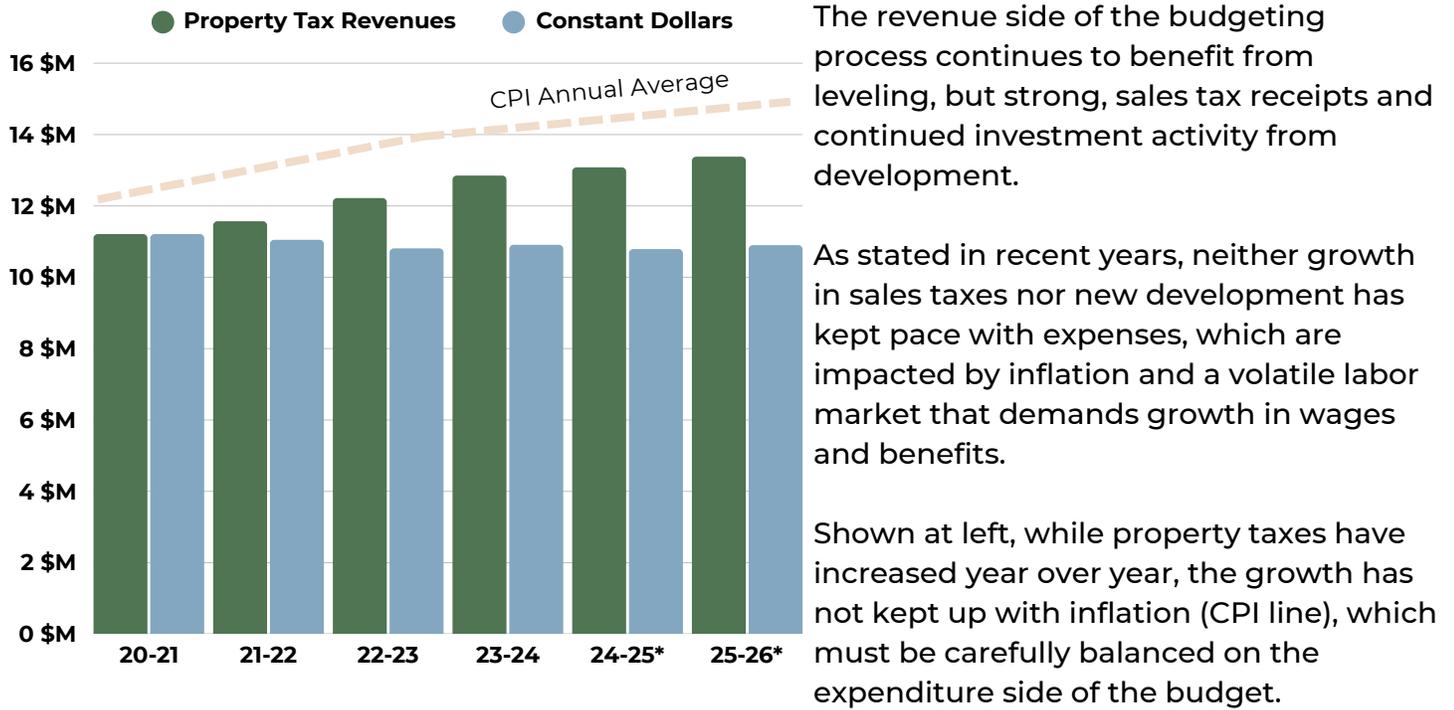


- The property tax rate is proposed to remain at \$0.29.
- Property taxes are forecasted at \$13.4M or just under half of General Fund revenues.
- We project about \$6.13M in sales taxes. These 2 revenue sources account for 70% of General Fund revenues.

Introduction

The Town of Southern Pines Fiscal Year 2026 (FY 26) budget has been developed with a continued focus on supporting a wide array of high-quality services, providing for the safety and security of the community, and carrying out our plans and capital investments that have been determined through community input and feedback involving multiple outreach efforts.

Our proposed 29-cent ad valorem (property tax) rate—paired with a Moore County rate anticipated to dip below 30 cents—positions our increasingly recognized and vibrant community as one of the best values among North Carolina’s most sought-after locations.



Municipal operations experience the same challenges with fuel, energy, and day-to-day expenses just as the common household does, only on a much larger and extensive level. The cost of constructing and maintaining the infrastructure and facilities needed to deliver public services continues to rise—outpacing even typical consumer goods—as both materials and skilled labor remain ongoing challenges.

With near-daily shifts in tariffs and widespread disaster recovery efforts—particularly in North Carolina following Hurricane Helene—the current environment for contractors and materials remains highly volatile. Perhaps more so than at any point in modern history, aside from the uncertainty of the COVID pandemic, this volatility means that project estimates included in the budget at June 2025 adoption may require significant adjustment when implemented.

To sustain the exceptional services our citizens expect—services that rely on trained, dedicated employees, reliable equipment, and functional facilities—the FY26 budget includes a 2.5% pay scale adjustment for all year-round staff. It also provides continued funding for the merit program introduced in 2024. The Town’s ability to deliver high-quality, desirable services depends heavily on remaining a competitive employer of choice, capable of both attracting and retaining top talent.

Fees for Services

Through our Environmental Services division, we completed our first full year of service collecting yard debris, bulk items, and white goods. We have maintained a consistent schedule of yard debris collection twice a month. We also collected nearly double the bulk items that our contractor picked up in the same period last year. I commend our staff for this successful launch and am pleased we were able to improve service delivery for residents.

The budget includes funding for the Town's yard debris and bulk collection and for year two of the Meridian Waste contract for garbage and recycling. To support these services, the waste collection and disposal fee will increase for all customers effective July 1. For residential homes, the monthly fee will change from \$21.00 to \$25.25 to cover weekly curbside garbage collection and yard debris collection twice a month (plus white goods & bulk items, as needed). Even with this increase, the Town will continue subsidizing approximately 25% of residential expenses.

Commercial customers will pay \$27.50/month for collection & disposal of one garbage cart (and may opt in for a second cart for an additional \$8).

The monthly subscription fee for recycling will remain at \$10 and includes collection every two weeks via a 95-gallon cart. Launched January 2025, this "opt-in" program has been highly successful, with participation exceeding expectations. As of late April, over 2,050 residential and commercial customers had subscribed.

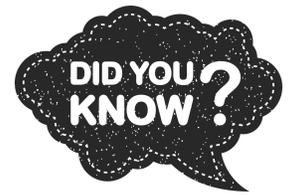
There are no other General Fund fee increases proposed at this time.

Private Investment

We're fortunate that private investment continues to remain strong in Southern Pines. Pinehurst Surgical, in association with FirstHealth of the Carolinas, has begun construction on a surgical center within the Morganton Park North medical complex. Sandhills Pediatrics is now operating at its new location, and a number of multi-family projects are in varying stages of construction.

Target, Home Goods, and other retailers in Morganton Park South opened in the fall of 2024. BJ's Wholesale Club followed in early 2025 and the gas station and Starbucks associated with that project are finishing construction. Nearby, a Whataburger franchise will soon break ground along the new extension of Southern Rd.

Parcels located within the new Provision ACE Hardware development will house an expanded ABC store and warehouse in addition to a small strip center. A small "last-mile" Amazon distribution center is scheduled to break ground in the Corporate Park off Air Tool Dr. The New York Place mixed-use development should begin construction in the coming year, and infill residential development can be seen both downtown and in established subdivisions. Our planning department continues to receive a steady stream of inquiries and conceptual plans from investors interested in Southern Pines.



We collect more yard debris each year than both recycling and garbage COMBINED.

Next year, we expect to collect about half a ton of yard debris on average from every home — that's the weight of a grand piano, a fully loaded vending machine, or a full-grown polar bear — or about 3,400 tons total.



A Look Back at FY 24-25

Town staff and officials have made meaningful progress over the past year in advancing Town priorities across infrastructure, community services, employee development, and operational efficiency. These efforts continue to strengthen Southern Pines' reputation as a vibrant, resilient, and desirable place to live and work.

Several significant projects were completed this year to expand recreational opportunities for residents and visitors. The Town partnered with Skaters for Moore to open the Elaine T. Baillie Skatepark at Memorial Park, contributing \$50,000 toward construction, taking on maintenance, and updating Town codes to better support skateboard transportation. The Dream Court at Pool Park was also completed, adding a unique play space for the community. In addition, the Town amended codes to allow off-premises alcohol sales at the Farmers Market in order to welcome local producers and adopted key Phase 1 recommendations from the Comprehensive Plan to guide future growth.

Internally, the Town focused heavily on employee engagement and development. Administration staff led the creation of *The TOSP Playbook*, providing staff with a comprehensive resource for Town processes and culture. Employees participated in a wide range of training opportunities, from leadership development and generational diversity to customer service and safety. Semi-annual new employee bus tours were relaunched with a newly trained group of Town ambassadors, strengthening early engagement and knowledge of Town operations.

HR modernized several core functions by transitioning to a new applicant tracking system, revamping new hire orientation, and implementing a more structured exit interview process. In preparation for the FY26 benefits launch, HR also secured a new health insurance option with an HSA and is rolling out wellness initiatives starting with baseline biometric screenings.

Our Finance department advanced internal improvements by assisting with the implementation of a new Business Travel and Per Diem policy and updating financial reporting practices to comply with GASB Statement No. 101 regarding compensated absences.

Technology upgrades further improved service delivery. The Town automated the purchase order system, implemented the Cartegraph Work and Asset Management System, and completed critical upgrades to its enterprise phone system, GIS infrastructure, and cybersecurity protocols. Successful audits for disaster recovery and regulatory compliance reinforced operational resilience.



Public safety remained a top priority. Our Police Department sustained its national accreditation with Excellence from CALEA, implemented an effective recruitment and retention strategy, and maintained a strong presence in community policing despite increased calls for service. Our Fire department saved nearly \$37 million in property in 2024 and hired our first Fire and Life Safety Education Specialist to expand public outreach. I'm proud that we were able to send both police and fire teams to Western North Carolina following Hurricane Helene. Our employees assisted with disaster recovery, security, traffic control, wildfire suppression, and delivered critical supplies and safety equipment.

Environmental Services & Utility Billing successfully launched the "opt-in" recycling program in January 2025, surpassing participation expectations. Solid waste services transitioned smoothly to a new contractor, while our new in-house services for yard debris, bulk item collection, and cart management continued to deliver improved quality of service.

Our Streets team resurfaced over three miles of Town roads, paved the dirt section of SE Broad Street, and installed new wayfinding signs to support better navigation and aesthetics throughout the community.

The Planning Department oversaw compliance for major commercial projects such as Morganton Park South, launched the Pinedene Design Guide for Old US-1, and advanced workforce housing strategies as part of Comprehensive Plan Phase 2. Our Inspections team completed the various inspections required to issue Certificates of Occupancy for over 300 residential & commercial projects, while staff also obtained additional critical certifications.

The Library expanded its role in community support, increasing digital literacy programs for older adults, promoting adult literacy, and coordinating efforts to assist vulnerable populations through partnerships with local nonprofits and agencies. Parks and Recreation also enhanced community outreach and quality of life, welcoming over 1,500 registrants to summer camps and drawing approximately 6,500 participants to events like BooFest & AutumnFest.

Our Facilities and Fleet teams completed critical repairs and upgrades at key Town buildings, while maintaining over 350 vehicles and equipment essential to service delivery. Our Utilities team ensured reliable, high-quality water and sewer services for more than 35,000 people, maintaining full regulatory compliance, completing over 1,600 work activities, and supporting the daily needs of our residents, businesses, and visitors. They also partner with our streets division on annual resurfacing projects, completing major repairs to sewer mains, manholes, and services. The Billing & Collections team supports their efforts by reading meters, producing accurate billing, and then processing payments. They also registered over 2,000 customers for the new recycling program, updated online forms, and even swiftly intercepted counterfeit money to protect Town resources.

Southern Pines is the **only law enforcement agency in Moore County to be nationally accredited with Excellence** by CALEA.

The National Arbor Day Foundation recognized Southern Pines as a **Tree City USA for 45 years in a row**. We celebrated Arbor Day by starting a community orchard at Whitehall.

The Government Officers Finance Association recognized the Town for **Excellence in Financial Reporting** for FY 23-24. Southern Pines has been awarded this distinction for the past 33 years.

Moore County's tourism industry is ranked #10 in NC for visitor spending. We are the only county in the top 10 that is not located along the coast or in the mountains.

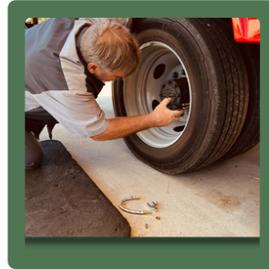
Niche.com ranks Southern Pines in the **top 10% for places to retire in North Carolina and in the top 5% across the U.S.**

They also rate us in the **top 20% for best places to live in America** and in the **top 15% for young professionals in North Carolina**.

The FY 25-26 General Fund Budget...

- Maintains all existing services.
- 25% or 3 months of the Town’s operating expenditures will be reserved in fund balance. Much like a traditional savings account, this fund balance provides financial protection from catastrophic occurrences and maintain our excellent bond rating & borrowing capacity.
- The property tax remains at \$0.29.

Other elements that are proposed for funding in the draft budget include:



DEBT SERVICE PAYMENTS

Fire Station #82
\$404k

Community Development Building
\$67k

SBITA Installments
\$307.5k

CAPITAL FUND TRANSFERS

Street resurfacing & maintenance
\$1.31M

General Capital Reserve transfer
\$500k

Fleet facility fund transfer
\$300k

Sidewalk projects
\$280k

Facility Modernization transfer
\$95k

NEW PROJECTS, ASSETS, AND INITIATIVES

Downtown Tennis Courts LED Lights: \$215k

Safety Barriers projects: \$149k

IT Hardware and Services Renewals: \$142k

Downtown Park Parking Lot project: \$125k

Facilities replacement vehicles: \$110k

Streets Dump Truck: \$100k

Fleet Lifts: \$93k

Pool Park Replacement Irrigation System: \$68k

Police patrol vehicle replacement: \$66k

Downtown Park replacement irrigation system: \$50k

Compensation and Benefits study: \$50k

Environmental Services truck: \$47k

E. New Hampshire Ave. ROW project: \$35k

Skatepark lighting: \$30k

Parks & Grounds ATV replacement: \$25k

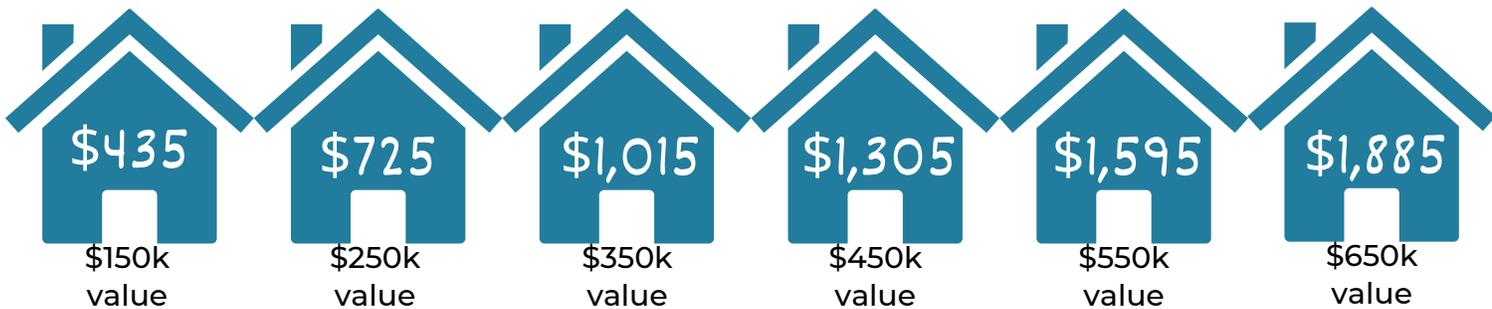
Reservoir Park lighting: \$21k

General Fund

This FY26 budget is based on an ad valorem rate of twenty-nine (29) cents. The average residential property (land and structure) in Southern Pines is valued at \$492,950, according to Moore County assessment data. This means that an owner of such property would pay the Town \$1,429.56 in property taxes in 2025. The average home value increased by approximately \$6,500 from 2024, which is about 1% higher.

$$\left(\frac{\$492,950 \text{ ASSESSED VALUE}}{100} \right) \text{ (} = \text{)} \$4,929.50 \times 0.29 \text{ TAX RATE (} = \text{)} \$1,429.56 \text{ OWED TO TOSP}$$

Estimated TOSP property tax bills with a 29-cent rate



We project that the Town will collect about \$1.3M in additional revenues in the FY 26 General Fund compared to the amended FY 25 budget. This overall increase of \$1,336,374 can be attributed in large part to:

- A continued growth trend in recent years for sales tax, positively impacting the three-year rolling average.
- An increase in property tax receipts based on a higher ad valorem tax base, applying a 99% collection rate again.
- Increased ABC (Alcohol Beverage Control) receipts
- Increased customer fees for solid waste and permits.

While revenues are growing, we're also seeing increases in operating expenditures of about \$1.41M compared to the amended FY 25 budget. Notable factors contributing to this total increase of \$1,408,088 (before transfers) include:

- Mandated increases from the State to employer-provided pension payments
- A 2.5% market adjustment to employee salaries and a merit pool of 4%
- A 12% increase in major medical insurance premiums.
- A number of sizable Parks projects involving lighting and irrigation
- Increases in Environmental Services expenses (offset by rate increase and Recycling subscriptions)

The proposed FY26 budget will result in an "available fund balance" of just under \$650k as of June 30, 2026. This amount of money remains in reserves and is available for Council to transfer to projects or other needs throughout the year, as desired. This available fund balance of \$648,178 is over and above the locally mandated 25% that will remain in the "rainy day" fund.

Utility Fund

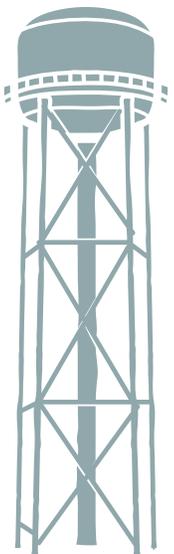
Southern Pines owns and operates a water and sewer utility system which includes a water treatment plant that provides safe drinking water to over 10,000 connections. The Town also collects wastewater from over 6,700 sanitary sewer connections. The wastewater is distributed to the Moore County Water Pollution Control Plant in Addor where it is treated.

The revenues and expenditures for water and sewer utility are managed through a separate financial account from the Town's general fund. The utility fund is an "enterprise fund" that operates more like a business, with fees from users directly funding the services provided.

Like the general fund, the FY 26 budget for the utility fund represents a continued conservative fiscal approach. The draft budget has been modeled on 2% rate increases that will go into effect on July 1, 2025 for all water and sewer customers. The increase not only covers rising operation and maintenance expenses, but will also help to fund a number of capital projects scheduled over the next ten years and beyond. Overall, utility fund revenues are projected to increase by \$1.5M over the FY25 budget from the rate increase and a growing customer base.

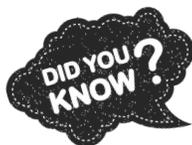
Water and sewer customer fees are made up of two parts: a fixed monthly availability fee and a variable consumption fee based on usage. The availability fee helps maintain critical infrastructure and ensures service is ready when needed. Effective July 1, the combined monthly availability rate will be \$22.90 (\$15.06 for water + \$7.83 for sewer), an increase of \$0.45 from the previous year. Consumption charges will also rise by 2%, adding \$0.08 for water and \$0.15 per for sewer for every 1,000 gallons used. For the average household that uses 5,000 gallons per month, the total increase will be approximately \$1.60 per month—or \$19.20 annually—for the changes to both the availability and consumption fees.

Overall, Operations and Maintenance expenditures are projected to increase \$534,040. This is largely due to increased wastewater treatment costs tied to growth and the indirect expense line item in the General Fund to support financial, IT, and administrative oversight of the Enterprise activity. Debt service payments in FY25 will total \$261k. This represents 33% of the loan payment for the Community Development Building, which the utility department shares with other Town departments. It also includes P&I payments for a project to relocate the Warrior Woods Lift Station which was funded by a State Revolving Loan Fund.



Where does our water come from?

Our water treatment plant is located in Pinebluff. We pump surface water from Drowning Creek, which is in southern Moore County, near the Richmond county line. We can treat up to 8 million gallons per day (MGD), pumping the treated water to elevated storage tanks. We generally treated about 3.5 MGD on a typical day, but reach highs around 6 MGD during summer heat and drought conditions. We closely monitor our capacity to ensure we can serve all existing customers and also allow for future growth.



The Town's wastewater system includes about 170 miles of gravity and force main lines. If this pipe were laid end-to-end, it could run from Southern Pines to Topsail Beach!



Looking to the Future: Water & Sewer Projects

We have completed extensive studies in recent years to identify needed capital improvements that will address aging infrastructure and ensure water and sewer availability for future growth. The Town uses a two-pronged approach to generate the funding needed for these projects:

- Long-term rate adjustments. Part of the 2% rate increase will allocate funds toward future water and sewer projects.
- System Development Fees (SDF). North Carolina local governments are authorized to charge SDF for new development projects. The SDF cover expanded or improved infrastructure to accommodate increased demand resulting from the development. These fees are intended to ensure that growth pays for itself and does not burden existing customers. We annually set our rates in compliance with the NC General Statutes.

When the Town accumulates retained earnings for the utility system (net income generated by the enterprise's operations), these are appropriated toward future water & sewer projects. We also routinely use loans and grants to fund water and sewer projects. Active funding from outside sources includes \$3M from the State Revolving Loan Fund for the Warrior Woods lift station and a \$5M dollar grant through the NC State Revolving Funds program, funded by the American Rescue Plan Act (ARPA), for important sewer rehabilitation projects.

The following transfers are planned for water & sewer projects:

- Sanitary Sewer Modernization: \$331,497 in SDF transfers + \$600,000 in retained earnings. We are actively addressing aging sewer lines that have breaks and blockages. We originally had a 10-year timeframe planned for these various projects, but the \$5M ARPA grant has allowed us to significantly expedite this work. These transfers will support this work.
- North Pressure Zone Project: \$449,298 in SDF transfers. We have been working on the engineering to create an additional pressure zone in the northern parts of town to improve low flow conditions. We anticipate construction in the near future.
- Warrior Woods Lift Station: \$82,874 in SDF transfers.
- Water Plant Modernization: \$399,103 in SDF transfers + \$675,200 from retained earnings.

Community Investments: Other Capital Project Funds (CPF)

The final area of significance in the proposed budget is the Town's Capital Project Funds (CPF). Proposed transfers include:

- Sidewalks: \$280,000. The Town has been installing sidewalk segments along S. Bennett St. to connect downtown to Morganton Rd. The Town collects a \$5 fee for every vehicle that a Town citizen registers in Moore County. The Town anticipates approximately \$65,000 in revenues from this fee in FY 26, all dedicated to sidewalk projects. The \$280,000 transfer will support this project in addition to improving right-of-way along a block of SW Broad Street
- Fleet Management Facility: \$300,000. We plan to create a new CPF for a pending new Fleet Management Facility. The initial transfer of \$300,000 will be used for planning and design.
- Paving: \$1,305,630. This will be appropriated toward the 2026 annual resurfacing program.
- Facility Modernization Fund: \$95,000. This will be used toward a roof replacement for the Administration building.

Final Thoughts

This budget proposal has again been developed under the leadership and guidance of our Town Council with an enormous amount of data and input from our excellent Town staff dedicated to implementing policy and serving the community. It is with sincere respect for the community, its citizens, and all who make Southern Pines an exceptional place to reside and do business that the Administration submits this FY26 Budget to Town Council for consideration and adoption.

The Town Council, its Boards and Commissions, and Town staff have made the development of this Budget document possible. In particular I wish to thank my Assistant Town Managers and Finance staff for all of their insight and assistance.

Southern Pines continues to be recognized in regional and national circles for its quality of life and other community assets. Our challenges continue to be around issues of people wanting to be here, temporarily as visitors or permanently as individual or corporate residents. Without question, this reality is preferable to a vast number of alternatives faced in communities across the country. In the face of constant efforts by State officials to limit our authority to plan and protect the quality of life our citizens enjoy, our dedicated elected body and professional staff continue to focus on positive results and outcomes. It is an honor to present the FY26 budget that strives to match revenue sources with desired services and long-term expenditure commitments.

Significant efforts have been made to remain a competitive employer of dedicated and talented staff while retaining an excellent quality of life and ultimately great value for our local residents and investors. It is with great pleasure that I am privileged to submit a budget that is supportive of those priorities.

Respectfully,

Reagan Parsons, ICMA-CM
Town Manager

