



Honorable Mayor Kyle Hayman  
Conover City Council  
Citizens of Conover  
Conover, North Carolina

In accordance with NCGS 159-11, it is my pleasure to submit the recommended Annual Budget for Fiscal Year 2025-26 for your review and consideration. The budget is balanced and inclusive of all financial obligations and all municipal services remain funded. The annual budget process is influenced by factors including economic trends, service expectations, the City's Strategic Plan, and emerging community needs identified by Council and the City's staff. The budget represents significant consideration of these factors and, accordingly, I am confident the budget will serve the community well and reflects the City's continued commitment to providing outstanding services.

In the past few years, inflation, supply chain issues, and labor shortages have had significant impact on the City and driven expenses. Uncertainty related to tariffs now present another complicating factor as the city procures the materials and supplies necessary to provide municipal services. The City tries to navigate these issues and leverage resources as effectively as possible. These factors will continue to influence procurement practices for the foreseeable future.

New residential permits decreased slightly from 70 to 66. While the national housing market slows in early 2025 and affordability remains a major challenge, residential growth still appears imminent in Conover. The City receives new development proposals regularly and there are about 1,500 housing units that have achieved some level of initial approval from the City but remain in various stages of design and largely unbuilt. There has been a recent and notable shift away from townhome and other attached unit type proposals towards detached single family housing units. Land clearing and grading is underway on developments containing about 400 homes, but it feels notable that Cline Village is the only large development with active home construction at this time and that development will likely be built out in 2026.

Commercial permits went down slightly from the previous year but hardly enough to signal a pattern of decline. Permits for industrial expansions are up which can certainly be taken as a positive indicator for the state of existing local industries. There are also some small medical office, auto service, and general retail projects approved or underway. Long term, more commercial development can be expected as residential developments materialize.

## General Fund

The total General Fund budget is \$15,434,617. The proposed budget is balanced with a \$707,757 fund balance appropriation. Historically, Conover has used minor fund balance appropriations to balance the general fund budget. Because of conservative revenue projections and responsible spending, revenues outpace spending, and we add to our fund balance each year. In the fiscal year ending June 30, 2025, we expect to add well over half a million to fund balance. Additionally, \$800,000 is allocated to the General and Solid Waste Capital Reserve funds which we use to save for capital projects, major purchases, and hedge against uncertainties.

To continue providing the same level of service expected by our citizens, I am recommending the property tax rate remain at 39.5 cents per \$100 valuation.

Revenues related to state collected sales tax as well as interest earnings generated from investments should continue to remain strong at least for the upcoming year. However, we don't want to rely too heavily on these revenues as they are among the most volatile revenues for the City and could be the first to decline should the economy weaken.

Conover's "at the curb" services largely delivered by the sanitation division in public works are well known as comprehensive and efficient. The costs to provide these exceptional services to our residents have increased and accordingly, I am recommending a modest increase to our Solid Waste Fee; from \$16.00 to \$16.50 per month.

The budget provides city employees with a 3% cost of living adjustment (COLA) effective July 1, 2025, and will be able to achieve up to an additional 5% merit increase. Nearly every municipality in our region will be implementing a similar combination of pay increases, however, Conover should be among the highest this year. These increases are essential to retaining a quality workforce.

The budget funds 4 new positions.

- The Police Department's investigative case load has increased over the years. A new **police investigator position** is necessary to ensure our police can conduct quality retroactive investigations deserved by the victims of crime. Though unrelated, this expense is partially offset by new School Resource Officer funding.
- Three additional firefighters will add a single person to each shift and increase our daily staffing to 6. This is achieved by adding **2 firefighter positions** and reclassifying 1 position. This expense is offset by the county's anticipated increase to the county rural fire tax rate paid by people outside the city limits who receive fire protection from the city's fire department.
- A **facility maintenance position** has become an apparent need as we continue to expand facilities and our buildings age. The city also has responsibilities to various tenants leasing space in city owned buildings. The city needs a more preventative and consistent approach to facilities applied across all departments.

As the community continues to grow, our city operations must also grow. The budget funds the completion of our multiple phase renovation to City Hall. The finance department, including utility billing, moved to the lower level of the building in July of 2023. The upper two levels of City Hall are in the final stages of renovations that should be completed this fall. The renovations will make City Hall more accessible to the public and more efficiently use existing space for future staffing needs.

The major governmental highlights of the fiscal year 2025-2026 budget focus on upgrades to public spaces, parks, and public works equipment.

- \$105k for vehicle replacements
- \$215k for a flusher truck for streets department
- \$230k for a knuckle boom truck for sanitation department for debris and waste removal
- \$350k to complete the city hall renovation
- \$80k for various parks and facilities improvements

As available space in our cemeteries continues to dwindle, this budget continues to fund \$25k towards the new Cemetery Maintenance Special Revenue Fund that was established last year. Revenues from plot sales, interest earnings on investments, and cemetery perpetual care contributions will be dedicated to the continued and ongoing maintenance of the cemeteries for generations to come. Staff is exploring expanding the footprint of our cemeteries, but that strategy has diminishing returns. Columbaria will be the most feasible way to add capacity to our cemeteries.

The budget includes adequate funding for annual commitments for parks and open spaces, and the maintenance of the city's facilities, right of ways and streetscapes. It funds street repair, sanitation services, and fleet operations. Continuing to fund street infrastructure remains a primary focus. Therefore, I recommend continuing the \$30.00 per motor vehicle fee for the 2025-2026 budget to ensure our streets are well-maintained.

The budget also funds the City's participation in many regional organizations such as the Western Piedmont Council of Governments, Greater Hickory Metropolitan Planning Organization, Western Piedmont Regional Transportation Authority, Catawba County GIS Consortium, United Arts Council, Animal Shelter services from Catawba County, Animal Control services from the City of Newton, and a continued partnership with the Shuford YMCA to provide swim lessons for the children of Conover.

## **WATER AND SEWER FUND**

The water and sewer fund remains in stable condition with a total budget of \$7,095,972. Like every utility, we have an abundance of near- and long-term capital needs. Last year the City of Hickory brought a new pump station online redirecting flow that was previously sent to Conover for treatment. This reduced revenue by nearly \$500,000 and will take years to replace through customer growth and possibly interlocal agreements.

The budget includes a 6% increase to water and sewer volumetric usage rates only. There are no changes to base or capital fees. The City of Conover purchases water from the City of Hickory. Hickory is raising their rates, including the rate charged to the City of Conover, by 5%. Conover also partners with Newton to treat a portion of the City's sewer and those costs are expected to increase as well.

The rate increase will result in a water bill for 5,000 gallons of water used to increase from \$69.14 to \$71.34. This would translate into about \$26 more per year. The median utility bill in our region for 5,000 gallons is \$76.22. When looking at utility systems with a similar number of accounts as Conover's (3,000-10,000), that median bill is even higher at \$90.50. Conover's rates remain very competitive with other systems across the state and within our region.

Major capital needs center around the City's 49-year-old NE Wastewater Treatment Plant (NEWWTP). Construction is well under way for both the head works and aeration basin. Contracts on these projects total almost \$7M. Additionally, \$2.7M of American Rescue Plan Act funds will be applied to address these needs.

Funded capital projects in the water/sewer fund for 2025-2026 include:

- Continued manhole rehab extending the lives of existing manholes another 10-15 years.
- Upgrades to office space at the public works yard for utility supervisor offices and additional training space.
- Purchase of a trailer-mounter Jetter and traffic safety signage.
- Replacement of work trucks.
- SCADA systems and other minor equipment upgrades to NEWWTP.

## **CAPITAL RESERVE FUNDS**

Capital reserve funds are used to store funds over several years for future capital projects and investments the City identifies as most pressing. The needs of departments always exceed resources available, so the items and plans within these reserve funds are the product of careful planning and forecasting by staff.

Included in the General Capital Reserve and Solid Waste Capital Reserve funds on the governmental side of operations are the following:

- Continues reserve for replacement of service trucks, building improvements, a fire apparatus, fuel tank replacements, and general technology upgrades.
- Begins new reserves for a future culvert replacement program, and public works building improvements.

Included in the Water Sewer Capital Reserve fund on the enterprise side of operations are the following:

- Continues reserve for improvements at the NEWWTP including pump station replacements, replacement of two master meter vaults, L'écho Park outfall line engineering, and some funds for contingency.
- Begins new reserve for purchase of a new tractor and hydro excavator.

## **CLOSING**

Conover has a long history of low taxes and minimal fees. This budget includes sensible and fiscally responsible means to generate revenues while remaining true to that history. Conover continues to have one of the lowest tax rates and water bills in the County. The collective increases proposed in my budget are estimated to amount to an additional \$2.33 each month for the average household. A very modest increase given the exponential rise in so many expenses for households.

The stewardship of public funds is among the most important tasks entrusted to us as public servants. This budget reflects commitment to our Strategic Plan and maintains high service levels for our citizens. Accordingly, the budget is submitted for your consideration and approval.

Respectfully Submitted,



Tom Hart  
City Manager