



BUDGET ALTERNATIVE – PROPERTY TAX REVALUATION

As noted, Harnett County recently conducted a revaluation of all real property throughout the County, including property located within the City of Dunn. The last revaluation of real property occurred in 2022.

The North Carolina State Senate recently passed a bill (SB889) that would postpone any tax revaluations in the State for this year. SB889 is currently in the State House Rules Committee. City staff expect the bill will be passed by the House in the coming weeks and expects it to become law before June 30, 2026. If this occurs, the City of Dunn would not receive the additional tax revenues that are anticipated from the property tax revaluation. Therefore, the recommended budget is presented as though SB889 will become law.

With this in mind, the University of North Carolina School of Government recommends that staff present an alternative budget ordinance that could be adopted in the event that SB889 does not become law. Based on this recommendation, the enclosed budget ordinance (Attachment A2) is presented for information purposes.

State law requires units of local governments to publish a revenue-neutral tax rate as part of the budget process following the completion of a revaluation of real property. The purpose of the revenue-neutral tax rate is to provide residents with comparative information.

The revenue-neutral tax rate as set forth in the NCGS 159-11(e) is the rate that is estimated to produce revenues for the next fiscal year as if no revaluation had occurred. The rate is then adjusted by a growth factor equal to the average annual percentage increase in the tax base due to improvements or new construction since the last general reappraisal. The revenue-neutral tax rate suggests taxes paid will be the same as in the previous year. However, taxes paid may vary by individual taxpayer based on the fair market value assessed on real property in the countywide reappraisal and the amount of personal property owned. Because real property is required to be revalued at least every eight years, and personal property is revalued annually, the reappraisal of real property re-equalizes real and personal property values. The revaluation also re-equalizes the tax burden where some owners of real property may pay more, or less, following a revaluation.

The revaluation produced a property tax base value as of January 1, 2026 of \$1,602,812,930 for Dunn. Using the formula mandated by State law, the revenue-neutral tax rate for Dunn is 40.09 cents per \$100 compared to the existing tax rate of 54.00 cents, of which 4.00 cents is dedicated to street paving. Both rates produce annual tax revenues of \$6,425,023. The growth factor over the past four years since the last general reappraisal is 2.00% for an adjusted revenue neutral tax rate adjusted for growth of 40.89 cents. The updated property tax base values will produce total revenues for real property and personal property taxes of \$8,655,190 for the City, of which

\$641,125 is dedicated to the street paving fund. If SB889 does not become law and given that Dunn has not increased its real property tax rate for the essential governmental operations since FY2014, it is recommended that the overall tax rate remain steady at 54.00 cents.

The revaluation of real property also affects the City's downtown properties that have an additional "downtown tax". The revaluation of downtown properties produced a property tax base value on January 1, 2026 of \$50,714,120. Using the formula mandated by State law, the revenue-neutral tax rate for downtown Dunn is 10.12 cents per \$100 compared to the existing tax rate of 12.00 cents. Both rates produce annual tax revenues of \$51,337. The growth factor over the past four years since the last general revaluation is 1.10% for an adjusted revenue neutral tax rate adjusted for growth of 10.23 cents. The updated property tax base values will produce total revenues for real property and personal property taxes of \$60,857 for the city. It is recommended that the overall tax rate remain steady at 12.00 cents. If SB889 does not become law it is recommended that the downtown tax rate remain steady at 12.00 cents.

**ANNUAL BUDGET ORDINANCE FY 2026-27
CITY OF DUNN, NORTH CAROLINA**

WHEREAS the recommended budget for FY 2026-27 was submitted to the City Council on May 29, 2026, by the City Manager pursuant to General Statutes (G.S.) 159-11 and filed with the City Clerk pursuant to G.S. 159-12; and

WHEREAS, on June 9, 2026, the City Council held a public hearing on the budget pursuant to G.S. 159-12; and

WHEREAS, on June 23, 2026, the City Council adopted a budget ordinance making appropriations and levying taxes in such sums as the City Council considers sufficient and proper in accordance with G.S. 159-13;

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF DUNN, NORTH CAROLINA:

ARTICLE I – GENERAL FUND

Section 1. General Fund Revenues

It is estimated that the revenues from the following major sources will be available during the fiscal year beginning July 1, 2026, and ending June 30, 2027, to meet the general fund expenditures.

Ad Valorem Tax	\$	7,723,600
Local Sales Tax		3,631,000
Other Taxes		822,800
Intergovernmental		-
Fees & Permits		582,800
Charges for Services		1,690,748
Investment Earnings		165,917
Other		1,112,883
Operating Transfers		106,342
Total General Fund	\$	<u>15,836,090</u>

Section 2. General Fund Expenditures

The following amounts are hereby appropriated by function for the operation of the City and its activities for the fiscal year beginning July 1, 2026, and ending June 30, 2027.

General Government		\$ 3,559,583
Mayor & Council	\$ 174,241	
Administration	823,958	
Tourism	154,733	
Finance	437,518	
City Hall Facility	121,437	
Non-Departmental	866,876	
Planning & Inspections	980,820	
Public Safety		6,197,319
Public Works		3,369,073
Public Works	2,286,073	
Sanitation	1,083,000	
Parks, Recreation, & Cemetery		1,776,529
Dunn Senior Center		126,687
Library		6,106
Debt Service		800,793
Total General Fund		<u>\$ 15,836,090</u>

Section 3. Levy of Taxes

There is hereby levied the following rate of tax on each one hundred dollars (\$100.00) valuation of taxable property, as listed for taxes as of January 1, 2026, for the purpose of raising the revenue constituting the general property taxes, as set forth in the foregoing estimates of revenue (Article I, Section 1):

General Tax
 Rate per \$100 Valuation of Taxable Property \$0.54

Special Downtown Tax District
 Rate per \$100 Valuation of Taxable Property \$0.12

Motor Vehicle Tax
 Pursuant to provisions of General Statute 20-97 (b1) an annual motor vehicle tax in the amount of thirty dollars (\$30) is hereby levied upon any vehicle resident in the City.

ARTICLE II – WATER FUND

Section 1. Water Enterprise Fund Revenues

It is estimated that the revenues from the following major sources will be available during the fiscal year beginning July 1, 2026, and ending June 30, 2027, to meet the water fund expenditures.

Water Sales	\$ 5,026,000
Penalties and Interest	20,000
Investment Earnings	55,000
Other	165,546
Total Water Revenues	\$ 5,266,546

Section 2. Water Enterprise Fund Expenditures

The following amounts are hereby appropriated by function for the operation of the City and its activities for the fiscal year beginning July 1, 2026, and ending June 30, 2027.

Administration	\$ 278,717
Finance	351,323
Services Operations	1,144,811
Water Treatment Plant	2,124,657
Debt Service	744,477
Transfers to Capital Projects	622,561
Total Water Expenditures	\$ 5,266,546

The following source amounts and appropriations are for the Water System Development Fee (WSDF) Fund for the fiscal year beginning July 1, 2026, and ending June 30, 2027.

Water System Development Fees	\$ 49,500
Investment Earnings	500
Total Water SDF Revenues	\$ 50,000
Water System Improvements	\$ 50,000
Total Water SDF Expenditures	\$ 50,000

ARTICLE III – SEWER FUND

Section 1. Sewer Enterprise Fund Revenues

It is estimated that the revenues from the following major sources will be available during the fiscal year beginning July 1, 2026, and ending June 30, 2027, to meet the sewer fund expenditures.

Sewer Sales	5,666,640
Penalties and Interest	36,000
Investment Earnings	78,000
Other	7,000
Installment Financing	8,626,000
Total Sewer Revenues	\$ 14,413,640

Section 2. Sewer Enterprise Fund Expenditures

The following amounts are hereby appropriated by function for the operation of the City and its activities for the fiscal year beginning July 1, 2026, and ending June 30, 2027.

Administration	\$ 353,516
Finance	\$ 362,116
Services Operations	\$ 1,162,713
Waste Water Treatment Plant	\$ 2,356,321
Debt Service	\$ 10,178,974
Total Sewer Expenditures	<u>\$ 14,413,640</u>

The following source amounts and appropriations are for the Sewer System Development Fee (SSDF) Fund for the fiscal year beginning July 1, 2026, and ending June 30, 2027.

Sewer System Development Fees	\$ 59,500
Investment Earnings	500
Total Sewer SDF Revenues	<u>\$ 60,000</u>
Sewer System Improvements	\$ 60,000
Total Sewer SDF Expenditures	<u>\$ 60,000</u>

ARTICLE IV – STORMWATER FUND

Section 1. Stormwater Enterprise Fund Revenues

It is estimated that the revenues from the following major sources will be available during the fiscal year beginning July 1, 2026, and ending June 30, 2027, to meet the stormwater fund expenditures.

Stormwater Sales	\$ 723,885
Investment Earnings	500
Total Stormwater Revenues	<u>\$ 724,385</u>

Section 2. Stormwater Enterprise Fund Expenditures

The following amounts are hereby appropriated by function for the operation of the City and its activities for the fiscal year beginning July 1, 2026, and ending June 30, 2027.

Stormwater Operations	\$ 159,804
Debt Service	89,026
Transfers to Capital Projects	85,000
Reserves	390,555
Total Stormwater Expenditures	<u>\$ 724,385</u>

ARTICLE V – SPECIAL REVENUE FUND AND CAPITAL PROJECTS FUND

Pursuant to G.S. 159-13.2, the City Council may authorize and budget for capital projects and special revenue funds in its annual budget or project ordinance. The project ordinance appropriates revenues and expenditures for however long it takes to complete the project rather than for a single fiscal year.

Ad Valorem Tax	\$ 612,300
Powell Bill Revenue	350,500
Interest Earnings	15,000
Oper Trf fr Gen Fund	195,000
Total Special Revenue Sources	<u>\$ 1,172,800</u>

Administration	\$ 12,000
Powell Bill/Street Operations	107,000
Capital Costs	473,547
Debt Service	580,253
Total Special Revenue Expenditures	<u>\$ 1,172,800</u>

SECTION VI – MISCELLANEOUS FEES AND CHARGES

Charges for services and fees by City Departments are levied in the amounts set forth in the Miscellaneous Fees and Charges Schedule (Attachment F to this ordinance) as adopted by the City Council.

SECTION VII – GENERAL AUTHORITIES

Section 1. The following authorities shall apply:

- A. Pursuant to G.S. 159-15, this budget may be amended by submission of proposed changes to the City Council, except as noted in this section under paragraph C and F.
- B. The Finance Director is hereby designated Finance Officer and is authorized to make interfund loans for a period of not more than 60 days. The Finance Officer shall establish and maintain accounting procedures which are in compliance with the Statutes of the State of North Carolina and is authorized to approve and process budget amendments between expense accounts, within departments, that do not change the total budget for that department.
- C. The City Manager shall be authorized to approve and process intrafund budget amendments, up to \$10,000, that do not change the adopted budget total for that fund, without further action by the City Council.
- D. The use of funds from the Reserve for Contingency requires prior approval from the City Council.
- E. Interfund transfers, established in the adopted budget document, may be accomplished without recourse to the council.

- F. At the fiscal year end, all funds encumbered or designated within fund balance for expenditures shall be re-appropriated to the next fiscal year’s adopted budget without further action by the City Council.
- G. The Harnett County Tax Collector is authorized, empowered, and commanded to collect the taxes and stormwater fees set forth in the tax records filed in the office of the Harnett County Tax Assessor, and in the tax receipts herewith delivered to the Tax Collector, in the amounts and from the taxpayers likewise set forth. Such taxes are hereby declared to be a first lien upon all real property of the respective taxpayers in the County of Harnett. This section of the ordinance shall be a full and sufficient authority to direct, require, and enable the Harnett County Tax Collector to levy on, and sell any, real or personal property of such taxpayers, for and on account thereof, in accordance with law.

SECTION VIII. - UTILIZATION OF BUDGET AND BUDGET ORDINANCE

The Ordinance and the Budget Document shall be the basis of the financial plan for the Dunn Municipal Government during the 2026-27 fiscal year. The City Manager shall administer the budget and shall ensure that the operating facilities are provided with guidance and sufficient details to implement their appropriate portion of the budget.

SECTION IX. - DISTRIBUTION

In accordance with G.S. 159-13, copies of this Ordinance shall be provided to the City Clerk, City Manager, and Finance Director to be kept on file by them for their direction in the disbursement of funds.

Adopted this 23rd day of June, 2026.

William P. Elmore, Jr.
Mayor

Attest:

Melissa R. Matti
City Clerk

The budget ordinance, and all additional amendments, are available in the office of the City Clerk, Dunn Municipal Building, 401 East Broad St, Dunn, North Carolina, 28334.

Justin B. Hembree
City Manager