



TOWN OF HOLLY SPRINGS

Fiscal Year 2025-26 Manager's Budget Message

May 13, 2025

To the Honorable Mayor and Town Council Members:

On behalf of the entire organization, it is my pleasure to recommend to you the Fiscal Year 2025-2026 (FY26) Operating Budget and Community Investment Plan (CIP).

Introduction

The annual budget is the chief policy document that reflects the values and priorities of Holly Springs. This year's recommendation continues to leverage sound fiscal policy to advance a balanced budget that represents the Mayor and Town Council's strategic vision for the Town. In summary, this budget is designed to fit within our financial means and maintain the standard of excellence Holly Springs has become synonymous with. A few of the highlights in this year's recommendation include:

1. **Investing in transportation infrastructure** to address growing traffic congestion,
2. Implementing a **new Microtransit mobility service** by early 2026,
3. **Advancing Eagles Landing Park** to construction,
4. Maintaining the Town's status as **one of the safest communities** in North Carolina,
5. Design of an inviting and transformational **Festival Street in the Downtown**,
6. **Maximizing the efficient use of tax-payer dollars** by repurposing vacant positions to the most critical areas,
7. Preparations to celebrate the **Town's Sesquicentennial (150th) Anniversary**,
8. Enhancing the Town's capacity to **maintain public assets like facilities and other infrastructure that residents depend on**,
9. **Investing in employees** to improve compensation market competitiveness, and
10. Investing in a **responsible water and wastewater system** to protect existing infrastructure and secure future safe drinking water and environmentally sensitive wastewater treatment capacity.

The Recommended Budget totals \$117,688,731 (net of transfers), a 10.7% increase from the amended FY 2024-2025 (FY25) budget, with most of this increase associated with new capital investments. Of this, the General Fund represents \$65,131,081, a 1.6% increase from the prior year. The Town's total assessed property valuation (real and personal property) is projected to increase from \$12.9 billion in FY25 to \$14 billion, an 8.7% increase over the prior year. The budget maintains the current property tax rate at 34.35 cents per \$100 valuation. Seven (7) new positions are recommended along with four (4) position reductions – for a net total of three (3) new positions to support areas of highest value and return on investment to Holly Springs taxpayers.

Strategic Organization

Holly Springs is a plans-driven organization and foremost of those plans is the Town Council's Strategic Plan. The Strategic Plan lays out the blueprint for the Governing Board's vision and is the primary guiding source for the Recommended Budget. Each year, the Town Council reviews and updates the plan to ensure it aligns with desired community goals and expectations. In April 2025, Town Council adopted the current Strategic Plan in advance of the FY26 Budget Recommendation that reaffirmed a commitment to the four strategic priority areas:



Key Budget Drivers

The hard work and forward-looking decisions by the Governing Body over the past two decades have grown Holly Springs into a prosperous and resilient community, but the Town is not immune to national and global economic trends. The uncertainty of the current economic environment warrants prudent planning when forecasting revenues and expenditures. While no one can fully predict the economic future, this Budget Recommendation balances growth-related service demands with proper safeguards to mitigate revenue uncertainty.

Property Tax – Property tax is the primary revenue source for the Town's General Fund, approximately 46.2%, and provides \$47.6 million in total revenue (including the Community Investment Fund and General Fund debt service). The Town benefits from a strong property tax collection rate through Wake County. The Wake County Tax Administrator has advised that FY25's County-wide property tax collection, as of April, is down slightly at 99.18% compared to 99.37% at this time in the prior year. While the overall Wake County collection rate is expected to be higher by this fiscal year end, this budget assumes a prudent 99.0% anticipated collection rate.

This Budget recommends no change to the property tax rate of 34.35 cents per \$100 valuation, which maintains Holly Springs as one of the lowest property tax rates in Wake County.

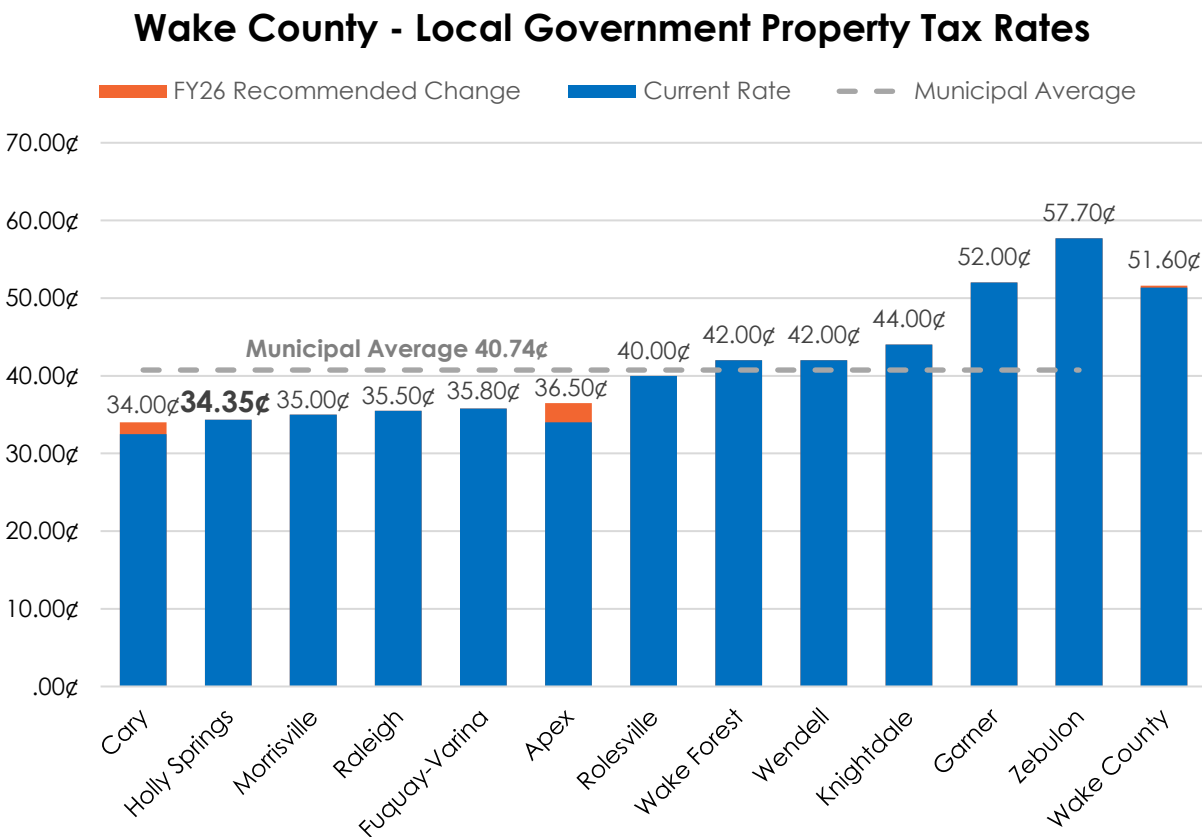


Figure 1 – Shows current property tax rates for Municipalities within Wake County at the time of publication.

Sales Tax – The second largest governmental revenue source is Sales Tax at \$14.7 million and is 22.6% of the General Fund operating revenue. Over the past decade, Sales Tax has been one of the Town's fastest growing revenue sources. In the same period, Sales Tax grew on average 12% annually. Many factors have contributed to this such as population growth, increased commercial development, and inflation.

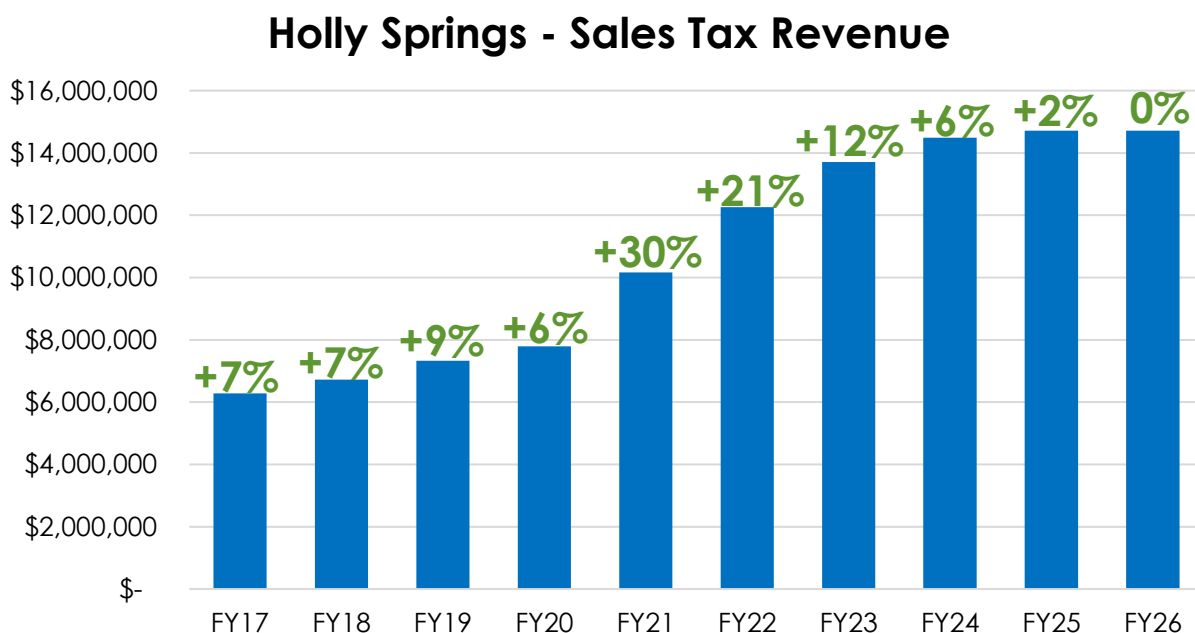


Figure 2 - Shows actual sales tax revenue for Holly Springs from FY17 to FY24; FY25 and FY26 are projected amounts.

However, Sales Tax is a revenue source that is highly susceptible to economic changes, and FY25 data indicates a trend of slowing – or even flattening – Sales Tax growth. As of April, FY25 Sales Tax revenue is less than 2% above FY24 levels, and some monthly data shows a decrease from the same month last year. Given the economic forecast risk conditions, this budget recommendation maintains Sales Tax flat with FY25 levels.

Budget Highlights

Below includes some of the top items funded in this Recommended Budget:

Investing in Transportation Infrastructure – In 2025 significant improvements are underway to widen Holly Springs Road as well as improve walkability and safety. In 2026, Staff anticipate the beginning of construction on Holly Springs Road “Central” phase from Flint Point Lane to Main Street as well as advancing design of the “West” phase from Main Street to the NC-55 Bypass. Additionally, staff are

coordinating with NCDOT on signal improvements and automation to improve congestion across town as well as a plan for the Town to leverage NCDOT funding to begin design for the widening of Avent Ferry Road “Phase 2” from Ralph Stephens Road to Cass Holt Road.

Downtown / Festival Street – Investing in the Downtown area is a top priority in the Strategic Plan, and the FY26 Recommended Budget includes funding for designing a pedestrian friendly Festival Street on Avent Ferry Road from W. Ballentine Street to W. Center Street.

Microtransit Mobility – For FY26, Town Council provided direction to develop a microtransit program as an option to help our residents get around town. Microtransit is designed to provide flexible and responsive public transit that is more tailored to the transit needs of our community. Residents will be able to request a ride (Monday-Friday; 7 a.m. to 8 p.m.) through a mobile device or phone call. Final design of the Town's microtransit service along with a rider fee cost structure will occur during the summer of 2025. The Town has been recommended for an operating grant from the Capital Area Metropolitan Planning Organization (CAMPO) to cover half of the ongoing operating costs with the Town covering the remaining half through the Town's General Fund (pending final approval from the CAMPO Executive Board). Following a bidding process for a third-party microtransit turn-key vendor, service is expected to start in January 2026.

Sesquicentennial Celebration – In 2026, the Town is planning a year-long celebration commemorating the 150th anniversary of the incorporation of Holly Springs. The FY26 budget includes funding to begin planning the *Sesquicentennial* celebration along with development of a dedicated celebration webpage on Town history, events, and activities.

2023 Parks Bond – In early May 2025, the Mayor & Council and staff held a ground-breaking for the construction of Eagles Landing Park. This 56-acre park and recreation facility, the first Holly Springs Town Park west of NC-55, is slated to open in 2027. Eagles Landing Park will offer a wide range of activities and programming for everyone from preschoolers to our senior community, including a splashpad, an e-sports and technology lounge, four multi-use indoor courts, pickleball courts, two turf fields, fitness areas, and much more. Additionally, this summer new seating will be installed in the Cultural Center Theater and the baseball/softball dugouts will be renovated at Womble Park.



Figure 3 - Rendering of Eagles Landing Park Recreation Center.

Community Safety – Holly Springs remains one of the safest communities in North Carolina with approximately 38.1% of the General Fund operating budget supporting Public Safety operations (Police and Fire). This year's recommendation includes increased funding for personal protective equipment (PPE) for fire fighters, training for swift water rescue, and a replacement Fire apparatus.

Asset Management / Facilities Maintenance – In last year's budget, Council funded a condition assessment of the Town's government facilities. This study identified the need for increased facility maintenance to address the aging conditions of facilities used every day by our residents and staff. The recommended budget includes a Public Works position and Parks and Recreation position to address additional maintenance capacity needs as well as additional funding for increased preventative / corrective facility maintenance, replacement of key building systems, and additional supplies to keep Town facilities operating in a safe condition and at a level consistent with resident expectations.

Staff Investments – This budget recommends seven (7) new positions and a reduction of four (4) vacant positions for a net increase of only three (3) new full-time positions:

- **Seven (7) New Full-Time Positions:**
 - Facilities Maintenance Technician
 - Park Maintenance Technician
 - Project Accountant
 - IT Technician – Infrastructure
 - Communications Specialist – Website
 - Development Engineering & Construction Division Manager
 - Utility Technician
- **Four (4) Vacant Full-Time Positions Repurposed:**
 - Grant Writer (a part-time Grant Writer position will be utilized)
 - Building Inspector
 - Development Plans Reviewer
 - Development Inspector

Additionally, this budget recommends the following to maintain Holly Springs as an employer of choice in local government:

- **Pay for Performance** – A merit-based pay program is included with employee adjustments between 0 – 6%, based on performance
- **Implementation of Market Based Compensation Adjustments (Phase 2)** – Funding is included for data-driven market-based salary adjustments to recruit and retain talented staff. Last year's Phase I implementation focused on public safety positions while this Phase 2 addresses general employees in non-sworn positions.
- **Health Insurance** – The Town's membership in the NC Health Insurance Pool (NCHIP) continues to reduce the Town's risk to health insurance increases. Health insurance premiums are set to increase by only 3.7% in FY26 and are proposed to be covered by the Town. Also, this year a new health insurance option is being offered to employees with a Health Savings Plan (HSA) to provide a lower premium cost share option for employees and families.
- **North Carolina Local Government Employee Retirement System (LGERS) Contributions** – All NC local governments are required to participate in the LGERS retirement system for local government employees. The Non-Law Enforcement Officers employer contribution rate is projected to increase

from 13.63% to 14.38% and the Law Enforcement Officer rate from 15.04% to 15.94%.

- **Other Proposed Adjustment** – Consistent with historical practice using CPI data, I am recommending a small adjustment of 3% to Mayor & Council compensation.

Water and Wastewater Regionalization/Partnerships – Utility investments underway, and planned, over the next five years total over \$500 million. These investments include the Town's partnership to expand the Tri-River Water Treatment facility in Sanford, a partnership with Fuquay-Varina to convey treated water from Sanford to Holly Springs, increase existing water supply connections with Harnett County, and increase of the Town's Utleigh Creek Water Reclamation Facility (UCWRF) wastewater treatment capacity. These investments are necessary and critical to securing the Town's future water supply and wastewater treatment needs. These utility infrastructure efforts are large and require a significant investment by our rate payers. For the typical homeowner, total monthly water and sewer rates are projected to increase approximately \$12.98/month for a typical residential utility customer for a total projected bill of \$99.43/month. Despite these rate increases, the Town's utility rates remain competitive in the state.

Other User Fees – the Town's garbage and recycling contracted service provider is increasing collection fees by 4% (direct pass-through cost to residents) resulting in a \$0.59/month increase for residential collection. The Town's Stormwater Fee is recommended to remain the same in FY26.

Looking to the Future

Below outlines potential, key issues that could impact the budget and policy decisions or be factors that impact the organization over the next several years:

1. **Economic Outlook** – At the time of development for the FY26 Recommended Budget, we are faced with uncertainty in the global economy as well as local revenue sources such as sales tax. Decisions at the federal level on tariffs and interest rates may impact current and future construction costs. Staff will continue to closely monitor these evolving conditions and will inform the Mayor & Council if any impacts will threaten the balanced budget that Council adopts.
2. **Downtown Vitality & Partnerships** – The Downtown Area Plan (DAP) outlines an exciting vision for the downtown focused on elevating vitality and

investment in public spaces. Public/private partnerships may also be key to delivering the DAP's vision. Major Town investments begin with design of the Avent Ferry Road Festival Street. Other potential partnership opportunities include development of Mims Park elements and an additional downtown parking deck.

3. **Partnership / Development Opportunities at Ting Park** – Ting Park, also known as the North Main Athletic Complex (NMAC), is a signature facility for the Town and region. Recent Council visioning for this area includes a sports themed entertainment area with greater amenities, dining, mixed commercial and residential uses, and welcoming public spaces. Private interest through an upcoming Request for Proposal (RFP) process is designed to help deliver Council's vision, which may also act as a catalyst for other, adjacent development to the park.
4. **Investment in Holly Springs Road Corridor and Avent Ferry Road Corridor** – Over the next seven years the Holly Springs Rd. corridor will transform into a two-lane divided road connecting the NC-55 Bypass to NC-540 while also providing enhanced safety and pedestrian features. Additionally, recent developments with the NCDOT's State Transportation Improvement Program (STIP) have identified \$20.2 million to design and construct Avent Ferry Road Phase 2 improvements. These two projects are transformational in how motorists will experience these two roads and will significantly improve congestion in the two corridors.
5. **New Town Facilities Coming Online** – Over the next two years, new staffing and operational resources will be necessary as the Town's new Operations Campus and Eagles Landing Park both open. These projects present a substantial growth in the footprint of Town-managed facilities and new capabilities to serve our residents. Investments over the next two years will need to include staffing, utility expenses, daily operating supplies, and maintenance for the new facilities.
6. **Stormwater Management** – In 2020, Town Council adopted a new Stormwater Fee to increase service levels for basic repairs and maintenance of the Town's Stormwater System. Since FY21, this fee has remained unchanged at \$5.20/month for residential units. Inflationary pressure, especially to maintenance and infrastructure projects, has increased expenses to the point that future projected revenues at the existing fee structure will be unable to meet expenses at the current level

of service. Council has previously expressed interest in reviewing / revisiting the Stormwater Fee structure, and I am recommending a future review by your 2026 Annual Retreat.

7. **UCWRF Beyond 8MGD** – While design for upgrading the Utley Creek Water Reclamation Facility (UCWRF) to a treatment capacity of 8 MGD (Millions of Gallons a Day) is currently underway, we must also advance planning and decision-making for Phase 2 investments beyond 8 MGD to meet the demand from continued population, commercial, and industrial growth. Preliminary options include further expansion at the Town's treatment plant and/or partnerships with nearby municipalities. This is anticipated to be a multi-year effort and one that requires significant engagement with our other local, state, and federal funding partners.

Conclusion

Thank you for the opportunity to recommend to you the FY26 budget. I believe this budget reflects and represents the vision and goals of the Mayor and Town Council endorsed in the Strategic Plan. Furthermore, this is a budget specifically crafted to fit within reasonable means and with prudence for potential economic uncertainty.

I very much appreciate and value your leadership, discussion, and direction throughout the entire budget development process. Building a budget is a large and complex annual organization-wide effort and many team members have also contributed to this year's effort. In particular, I would like to recognize our department directors and staff from Budget, Innovation, and Strategy; Finance; and Human Resources along with our two Assistant Town Managers.

I look forward to discussing the Recommended Budget further to ensure it meets your expectations and properly reflects the priorities of the Governing Body and the community.

Respectfully submitted,



Randy J. Harrington
Town Manager