



TOWN OF STEM

MAYOR

Casey Dover

TOWN ADMINISTRATOR

Tim Karan

COMMISSIONERS

Susan Cope

Lonnie Cole Sr.

Vicki Garrett

Kenneth McLamb

Dave Pavlus

May 19, 2026

Honorable Mayor and Board of Commissioners:

In accordance with the North Carolina Local Government Budget and Fiscal Control Act, I am pleased to submit for your consideration the proposed Fiscal Year 2026–2027 Town of Stem Budget. A public hearing to receive residents' comments on the proposed budget is scheduled for June 24, 2026, at 7:00 PM in Town Hall.

Overview:

After a thorough review of departmental needs and a careful evaluation of all funding requests, the General Fund Budget is proposed at \$916,200, representing a fully balanced budget with no surplus or deficit. This budget reflects our commitment to responsible stewardship of public funds while continuing to meet the service expectations of our residents.

The proposed tax rate is \$0.35 per \$100 of assessed value, a 2¢ increase from the current fiscal year. This budget prioritizes public safety, sound governance, and the maintenance of Town facilities and infrastructure, while sustaining the community donations and events that define life in Stem.

General Fund Revenues:

The Town's revenue structure remains stable and diversified. Ad Valorem (property) taxes and Local Option Sales Tax together account for approximately 84% of total revenues. At the proposed rate of \$0.35 per \$100 of assessed value, 1¢ of tax rate generates approximately \$13,171 in revenue. Key revenue highlights include:

- Ad Valorem Taxes — \$461,000 (50.3%), reflecting stable assessed values and a strong collection rate
- Local Option Sales Tax — \$310,000 (33.8%), projected consistent with recent trends
- Stormwater Fees — \$45,000, supporting the Town's dedicated Stormwater program
- State Street Aid (Powell Bill) Grant — \$35,000, designated for transportation maintenance
- Rental Income — \$15,000 from the Town-owned residential property
- Franchise Tax — \$25,000; Investment Earnings — \$10,200 across General and Stormwater funds

General Fund Expenditures:

The Town continues to face cost pressures consistent with broader inflationary trends. This budget is crafted to maintain all essential services while remaining fiscally conservative. Spending by major category:

- **Public Safety — \$272,550 (29.7%):** The largest single investment, funding contracted law enforcement services including salaries, fuel, equipment, insurance, and vehicle capital outlay.
- **Governing Body — \$228,300 (24.9%):** Covers the Town Administrator, Mayor, Board of Commissioners, Zoning Administrator, legal fees, payroll taxes, and associated administrative costs.
- **Finance & Administration — \$130,400 (14.2%):** Includes the Town Clerk, professional services, utilities, software licensing, and general office operations.
- **Stormwater — \$68,050 (7.4%):** Includes capital outlay (\$42,550), stormwater operations, engineering, UNRBA dues, and the interlocal management agreement.
- **Debt Service — \$57,000 (6.2%):** Principal retirement, interest payments, and a contribution to the Capital Reserve Fund.
- **Facilities — \$56,200 (6.1%):** Town Hall building maintenance, mowing and grounds care, improvements, and portable restroom facilities.
- **Community Donations — \$40,000 (4.4%):** Annual contributions to the Stem Fire Department (\$31,000) and local nonprofits including the Ruritan Club, TRLC, ACIM, Crime Stoppers, Historical Society, and FLVF.
- **Culture & Recreation — \$38,200 (4.2%):** Park maintenance and improvements, cemetery mowing, and community events including the Christmas Parade, Easter Egg Hunt, and July 4th Fireworks.
- **Transportation — \$25,000 (2.7%):** Street maintenance and snow removal. The Town also anticipates \$35,000 in Powell Bill grant funds for street and sidewalk infrastructure.

In Conclusion:

The Fiscal Year 2026–2027 Recommended Budget maintains the full complement of Town services, fulfills the Board’s commitment to fiscal responsibility, and supports the community organizations and events that make Stem a wonderful place to live. This is a balanced budget that asks a little more of our taxpayers than the current rate while continuing to deliver the services they depend on.

I welcome the Board’s questions and comments as we prepare for our budget hearing and adoption. I would like to express my sincere appreciation to the Mayor, Board of Commissioners, and all Town staff whose thoughtful input made this budget possible. I look forward to another successful year serving the citizens of Stem.

Respectfully submitted,

Tim Karan

Town Administrator, Town of Stem