NORTH CAROLINA
DEPARTMENT OF STATE TREASURER

BRADFORD B. BRINER
STATE TREASURER OF NORTH CAROLINA

STATE AND LOCAL GOVERNMENT FINANCE DIVISION
AND THE LOCAL GOVERNMENT COMMISSION

DENISE CANADA
DIVISION DIRECTOR

December 10, 2025

Robert T. Dube, Jr.
100 Washington Avenue South
Suite 1500
Minneapolis, MN 55401

Via Email: rdube@locklandblando.com

Re: Statement Regarding Petition for Incorporation – Bethlehem

Dear Mr. Dube,

The Local Government Commission (Commission) has considered the petition for incorporation materials submitted to our office dated August 1, 2025 seeking the incorporation of the Town of Bethlehem. Enclosed is the *LGC Staff Recommendation Regarding the Community of Bethlehem's Petition for Incorporation*.

Pursuant to N.C. Gen. Stat. § 120-163(c), the Commission considered "the proposed municipality's prospects for financial viability and effective fiscal management." At the Commission's December 2, 2025 meeting the Commission adopted the following statement:

> As directed by N.C.G.S. 120-163(c), the Local Government Commission reviewed the submission from the Bethlehem community ("the Community") to assess the proposed municipality's prospects for financial viability and effective fiscal management.
>
> Based on the information provided, the Community would likely be financially viable, primarily due to the strength of its projected property tax and sales tax revenues. The Community has also indicated a commitment to adopting fiscal policies and safeguards that are consistent with effective financial management.
>
> However, North Carolina continues to face a severe shortage of qualified local government finance staff — a situation affecting the majority of local governments statewide. Given this ongoing workforce challenge, the Commission cannot determine whether the proposed municipality would be able to carry out and sustain the financial management practices it has described.
>
> This statement is provided for inclusion in the Community's petition and should not be interpreted as a recommendation for or against incorporation.

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Commission staff are always here to support local governments and if the Community of Bethlehem is incorporated, we look forward to working with the new town.

Thank you and please contact me with any questions at Denise.Canada@nctreasurer.com or 919-814-4296.

Sincerely,

Denise Canada
Secretary, Local Government Commission;
Deputy Treasurer, State and Local Government Finance Division

Enclosure: *LGC Staff Recommendation Regarding the Community of Bethlehem's Petition for Incorporation.*

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LGC Staff Recommendation Regarding the Community of Bethlehem's Petition for Incorporation
December 2, 2025

Overview

- In Alexander County, some registered voters ("the Community" or "Bethlehem") are seeking to incorporate the community of Bethlehem.
- When residents propose to create a new municipality, N.C.G.S. 120-163(c) directs the Local Government Commission (LGC) to issue a statement "regarding the proposed municipality's prospects for financial viability and effective fiscal management."
- This summary contains a recommended statement drafted by LGC staff and an explanation for that statement.

Statutory Context

N.C.G.S. 120-163(a) requires that residents who wish to create a new municipality file a petition with the Municipal Incorporations Subcommittee of the Joint Legislative Committee on Local Government. The petition "must be submitted to the Municipal Incorporations Subcommittee at least 60 days prior to convening of the next regular session of the General Assembly in order for the Municipal Incorporations Subcommittee to make a recommendation to that session" (N.C.G.S. 120-163(c)).

The petition must include "a statement from the Local Government Commission regarding the proposed municipality's prospects for financial viability and effective fiscal management" (N.C.G.S. 120-163(c)).

The LGC's Role

The LGC's role in municipal incorporation is limited to issuing the statement described above. It does not include determining whether incorporation is advisable.

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Bethlehem

Residents of the community of Bethlehem ("the Community" or "Bethlehem") are seeking to incorporate their community and have requested a statement from the LGC per N.C.G.S. 120-163(c).

- **January 2025:** The Community contacted the LGC staff regarding potential incorporation.
- **February 2025:** The Community submitted its first incorporation proposal to the LGC staff.
- **March 2025:** The Community responded to LGC staff questions regarding the initial proposal; staff prepared a draft statement for the LGC's consideration at its April 2025 meeting. The draft statement read as follows:
  Pursuant to N.C.G.S. 120-163(c) and based on the information provided by the Community of Bethlehem, the Commission cannot find that the Community has sufficiently proven that it will employ effective fiscal management practices, and based on the information presented, cannot make a determination as to the Community's prospects for financial viability.
  On March 27, 2025, the Community formally withdrew its first proposal to allow time for revision and legal consultation.
- **August 2025:** The Community's legal counsel submitted a formal letter and revised proposal to the LGC.
- **December 2, 2025:** LGC staff will present this document to the Commission for consideration.

Proposed Statement

Based on a review of the information provided, LGC staff recommend that the Commission provide the following statement to the Community. **This statement does not constitute a recommendation for or against incorporation.**

> "As directed by N.C.G.S. 120-163(c), the Local Government Commission reviewed the submission from the Bethlehem community ("the Community") to assess the proposed municipality's prospects for financial viability and effective fiscal management.
>
> Based on the information provided, the Community would likely be financially viable, primarily due to the strength of its projected property tax and sales tax revenues. The Community has also indicated a commitment to adopting fiscal policies and safeguards that are consistent with effective financial management.
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> However, North Carolina continues to face a severe shortage of qualified local government finance staff — a situation affecting the majority of local governments

statewide. Given this ongoing workforce challenge, the Commission cannot determine whether the proposed municipality would be able to carry out and sustain the financial management practices it has described.

This statement is provided for inclusion in the Community's petition and should not be interpreted as a recommendation for or against incorporation."

Basis for the Statement on "Effective Fiscal Management Practices"

Context: Statewide Capacity Constraints in Local Government Finance

The long-term viability of any proposed municipality hinges on its ability to implement and maintain sound fiscal management practices. At present, North Carolina faces a dire and growing shortage of qualified finance officers across its more than 1,100 existing local governments and public authorities. This shortage has created systemic vulnerabilities in local government operations, with many local units struggling to meet basic financial reporting requirements, maintain internal controls, and comply with state oversight standards.

The challenge is not isolated to any one region of North Carolina. Units across the state report difficulty recruiting and retaining experienced fiscal staff, often due to limited salary competitiveness, a shrinking pipeline of trained professionals, and the increasing complexity of local government finance. As a result, some towns have resorted to outsourcing critical financial functions or operating with unfilled positions, which can compromise transparency, accountability, and long-term financial stability. Moreover, it is a violation of N.C.G.S. 159-24 for a local unit to outsource the official role of Finance Officer.

In this context, the creation of any new municipality raises serious concerns about that unit's ability to implement and maintain sound fiscal practices.

Bethlehem's Proposed Framework for Fiscal Management

Bethlehem has demonstrated a clear understanding of the types of financial policies and practices necessary for effective fiscal management. The Community's revised proposal includes:

- A revised budget ordinance with appropriations clearly broken down by department and function.
- A contingency fund capped at 5% of the total budget, with excess funds redirected to a capital reserve fund in compliance with N.C.G.S. 159-18.
- A commitment to adopt:

  - A comprehensive internal control and governance policy, including a code of conduct and oversight responsibilities.
  - Internal control practices such as segregation of duties, approval workflows, and fraud detection protocols.
  - A clearly defined organizational structure with delegated authority and role clarity for financial staff.
- A commitment to hiring qualified personnel and supporting ongoing training and succession planning.
- An audit committee charter with defined authority, responsibilities, and membership criteria.
- A requirement for quarterly audit committee meetings and annual reporting to the Town Council.
- A first-year compliance checklist aligned with the Local Government Budget and Fiscal Control Act (N.C.G.S. Chapter 159, Article 3).

Taken together, Bethlehem presents a thoughtful and well-organized framework. Yet even the strongest internal policies rely on the availability of qualified personnel to carry them out. Until the underlying and widespread workforce and capacity issues are addressed, the prospects for effective fiscal management in any new municipality remain of significant concern to the Commission.

Basis for Statement on "Financial Viability"

It is reasonable to believe that the proposed municipality could remain financially viable if it were to manage its finances in a responsible manner.

In North Carolina, local governments receive the overwhelming majority of their revenue from two revenue sources: the property tax and sales and use taxes. The proposed Town could reasonably expect to generate at least $2.1 million annually from these two sources; in addition, other smaller revenue sources would add to this total.

The Property Tax

Under N.C.G.S. 160A-209, a city is authorized — but not required — to levy a property tax of up to a combined rate of one dollar and fifty cents ($1.50) on the one hundred dollars' ($100) appraised value of property subject to taxation. The Community proposes to levy an ad valorem property tax of $0.05 (i.e., 5 cents) for every $100 of valuation.

Bethlehem's proposal estimates its assessed valuation at $1.1 billion, based on data that

Bethlehem indicated was provided by Alexander County. LGC staff note that this is approximately 26.6% of Alexander County's FY 2024-25 total valuation of $4.13 billion, as self-reported by Alexander County to the North Carolina Department of Revenue (DOR) and reported by DOR on its LG01 report.

This property tax could generate approximately $534,000 based on:

- The reported assessed valuation of $1.1 billion
- The planned $0.05 property tax rate, and
- Alexander County's 97.06% property tax collection rate (FY 2023-24 rate, most recent rate readily available).

To note, this estimate does not reflect any property that is exempt from taxation, which would lower the Town's total property tax revenue by an unknown amount.

Sales and Use Taxes

Under N.C.G.S. 105, Articles 39-46, county governments may levy multiple cumulative sales taxes with voter approval. The county's net sales tax distribution under Articles 39-42 is shared between the county and its municipalities using one of two methods authorized under N.C.G.S. 105-472. As an incorporated municipality, Bethlehem would receive a monthly sales tax distribution from the North Carolina Department of Revenue, representing a portion of the sales tax revenue currently distributed to Alexander County and Taylorsville.

LGC staff estimate that if incorporated, Bethlehem could expect to receive approximately $1.9 million in annual sales tax distributions, based on the following assumptions:

- In FY 2024-25, the most recent full year of data available, the Department of Revenue distributed $11,028,594.26 in revenue from Articles 39, 40, and 42 to Alexander County and Taylorsville.
- Alexander County allocates sales tax revenue on a per capita basis between the County and its existing municipality, Taylorsville.
- In calculating the current sales tax distributions, the Department of Revenue uses 2025 population data for Alexander County (35,968) and Taylorsville (2,361) that is provided by the Office of the State Demographer in the Office of State Budget and Management.
- The Community estimated that its population if incorporated would be 7,800.
- Had Bethlehem been incorporated for the entire FY 2024-25, it would have received 16.9% of the $11.0 million distributed to the County and its existing town, i.e., 7,800 / (35,968 + 2,361 + 7,800).

Important Considerations

The statements in this document should be taken in the context of the following considerations:

- The LGC's statement on the proposed municipality's prospects for financial viability and effective fiscal management does not constitute a recommendation for or against incorporation.
- The Commission's role is limited to providing a statement regarding the proposed municipality's prospects for financial viability and effective fiscal management; it is not to approve the proposed municipality's budget nor to recommend or approve its incorporation.
- The Commission has no role in determining whether any of the other requirements for the petition have been met or in determining whether the requirements for municipal incorporation have been met; these findings are the purview of the Municipal Incorporations Subcommittee of the Joint Legislative Committee on Local Government.