



Office of the Town Manager

TO: Mayor and Commissioners

FROM: Shannon Baldwin, Town Manager

DATE: May 12, 2021, revised 5/13/21

RE: Budget Message and Proposed Budget for Fiscal Year 2021-2022

In accordance with Sections 159-11, 159-12, et al. of the General Statutes of North Carolina, it is my duty to submit for your consideration the proposed balanced **Town of Lake Lure Budget for Fiscal Year 2021-2022** commencing July 1, 2021 and ending June 30, 2022. This budget is based on careful analysis of departmental operating budgets, Capital requests, and prioritized needs identified by department heads through one on one meetings and budget workshops held with the Mayor and various combinations of Council and staff at various times. In summary, the budget is balanced at the recommended tax rate of \$0.53 per \$100 of property value. It is recommended that Water/Sewer Rates remain unchanged compared to Fiscal Year 20-21.

The **Budget for Fiscal Year 2021-2022** has been structured to meet the immediate needs of our significant infrastructure challenges. The goal of the budget is to reduce day to day expenditures by creating efficiencies while building a capital reserve for the dam and wastewater treatment replacement projects. The long-term debt service cost may be mitigated by strategic near-term technology investments and improved business practices. The budget specifically includes:

1. Leveraging tax revenue to establish a dam replacement capital reserve dedicated to dam replacement within ten years and to promote favorable conditions for State and Federal funding subsidies. Local investment in engineering analysis and design is critical to meet governmental resourcing requirements. We will set aside 1.6 million per year moving forward;
2. Using measures to support the self-sufficiency of dredging and lake operations using only user fees and State sponsored grants. This significantly reduces the dependency of tax revenues for day to day lake operations;
3. Reducing subsidies to neighboring communities for public safety services by enhancing the capabilities of Town Fire and Police to respond to incidents in remote areas. This initiative improves fire, medical, police protections for all Town residents;
4. Reducing expensive labor outsourcing by training and professionally developing Town staff to conduct routine maintenance at the hydroelectric plant and wastewater treatment plant. Reducing the Town's dependency on contractors is a significant cost-reduction measure;
5. Reducing inefficient Town business practices and non-essential recreational subsidies that undermine the ability to sustain long-term debt service. Providing subsidized recreational services to visitors has been an unnecessary financial burden on Town taxpayers;
6. Investment in dam, hydroelectric plant and wastewater monitoring and control technology to reduce expensive labor hours required to conduct routine operations. This initiative will allow employees to cross-train and pursue higher priority projects within the community;
7. Funding incentives and cost of living increases to retain and recruit the necessary workforce to operate unusually sophisticated operations in challenging environments; and
8. Maintaining all current operations and services at levels to meet community expectations.

Below are specific **outcomes** expected over the next budget year as the Town begins executing the Fiscal Year 2021-2022 Budget July 1, 2021.

Public Safety

Fire

1. Modifying and operating an existing building as a fire department substation to maintain the current ISO Classification. This also spreads fire suppression and medical service coverage more evenly and reduces response times in certain areas.
2. Purchasing a new heart monitor will increase the level of care that our AEMT team can provide. This will also ensure medical service providers have better data on patients arriving from our community to the ER.

Police

1. Purchasing replacement vehicles to ensure officers always respond in a dependable, timely manner.
2. Purchasing equipment (hand held radios and in-car computers) to ensure officers have effective communication between central dispatch and one another.
3. Funding necessary training (underwater rescue) and purchasing equipment (diving suits) allowing officers (soon to be accredited divers) to work more effectively in/on the lake.

Public Works (Sewer, Water & Streets)

1. Repairing lake manholes to move the town closer to compliance relative to its sewer collection system and the wastewater treatment plant.
2. Installing electric water meters to save much time and allow public works staff to address other necessary projects.
3. Adding opaque security fencing around public works campus to keep people and animals away from danger and also screen unsightly operations from public view.
4. Increasing funds to pave town streets thereby improving deteriorating town streets much faster than before.

Parks, Recreation & Lake

1. Keeping the town parks, trails, lake and golf course maintained.
2. Performing necessary hydraulic and mechanical dredging to dredge more and faster.
3. Performing necessary project management
 - Engineering and constructing a deep water launch to facilitate lake access for dredging.
 - Engineering and developing the Island creek “land fill” site.

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- Replacing the beach boardwalk and pier at the Morse Park gazebo.
- Realizing the value of the golf course property via appraisal and developing a plan of action regarding its reuse.

Dam & Hydroelectric

1. Automating the hydropower plant and tainter gates to achieve more precise control of lake water levels and power generation.
2. Controlling cost of sludge management at the waste water treatment plant by repairing the digester and associated appurtenances.

Community Development

1. Coordinating the installation of a telecommunication tower to bring excellent cell phone coverage to the Lake Lure Center and beyond.
2. Execution of the boathouse inspection program to ensure boathouses are safe on the lake.

Communications

1. Keeping citizens informed about key town priorities and updates through various means including print and online mediums, improved signage, and in-person Community Forums.
2. Launching a new streamlined and mobile friendly website which offers increased online capabilities for payments, work orders, facility reservations, boat permits, and boat slip rentals.
3. Application for and administration of FEMA grants to support major infrastructure replacement/renovation.

This memorandum provides summaries and detailed discussion of the budgets for General Fund, Water/Sewer Fund and Electric Fund. It represents the spending plan created to secure the **outcomes** identified above.

REVENUES

I. GENERAL FUND

Ad Valorem and Vehicle Taxes	\$4,429,782
State Shared Revenues & Grants	\$2,484,027
Installment Loan	\$502,000
Lake & Tours	\$708,800
Beach	\$65,000
Marina	\$353,500
Miscellaneous Revenues	\$176,267
Land Use Fees	\$46,961

Budget Message**May 6, 2021****Page 4****TOTAL GENERAL****\$8,766,337****II. WATER/SEWER FUND**

Water and Sewer	\$1,650,110
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TOTAL WATER/SEWER	\$1,650,110
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III. ELECTRIC FUND

Electric Receipts	\$400,325
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TOTAL ELECTRIC	\$400,325
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<u>TOTAL REVENUES – ALL FUNDS (memo only)</u>	<u>\$10,816,772</u>
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EXPENDITURES**I. GENERAL FUND****Operations**

Public Safety

Fire Department	\$912,946
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Police	\$875,906
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Administration, Finance & Technology

Administration	\$1,068,654
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Central Services - Technology	\$114,120
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Governing Board	\$35,050
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Public Works & Maintenance

Public Works	\$536,101
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Sanitation	\$229,400
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Recreation

Parks, Recreation, & Lake	\$1,371,691
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Golf Course	\$106,000
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Beach & Marina	\$17,500
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Community Enhancement	
Community Development	\$225,166
Economic Development	\$98,264
Dam/Watershed Protection	\$23,000
Non-Governmental	\$157,500
<u>Capital Outlay and Debt Service</u>	
Capital Outlay & Projects	\$999,100
Transfer to Dam Capital Reserve Fund	\$1,600,000
Debt Service (all general fund depts.)	\$395,939
TOTAL GENERAL	\$8,766,337

II. WATER/SEWER FUND

Sewer Operations	\$612,300
Water Operations	\$91,500
Capital Outlay	\$431,500
Debt Service	127,685
Transfer to Equity	\$387,125
TOTAL WATER/SEWER	\$1,650,110

III. ELECTRIC FUND

Operations	\$377,525
Capital Outlay	\$22,800
TOTAL ELECTRIC	\$400,325

<u>Totals all Funds (memo only)</u>	<u>\$10,816,772</u>
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FUND BALANCES

The following information is provided regarding the fund balance or cash for the town's three operating funds and three reserve funds:

Operating Funds	<u>June 30, 2020¹</u>	<u>June 30, 2021²</u>
General Fund ³	\$3,226,446	\$4,014,825
Water/Sewer Fund ⁴	\$66,744	\$626,404
Electric Fund ⁴	(\$306,955)	(\$150,432)

Reserve Funds

Bridge Preservation Fund ⁵	\$75,000	\$75,000
Silt Removal Fund	\$64,265	\$64,265
Capital Reserve Fund	\$179,532	\$651,739

- Notes:**
- 1 - From Audit Report for FY 2019-20
 - 2 - Estimates provided by finance director and based upon data available on May 10, 2021
 - 3 - General Fund amounts are fund balances
 - 4 - Water/Sewer Fund and Electric Fund represent cash & cash equivalents
 - 5 - The Bridge Preservation Fund was established with \$120,000 from the NCDOT for the long-term maintenance of the old bridge across the Rocky Broad River.

PROPERTY TAX RATES AND REVENUES

Year	Property Tax Revenues		Other Revenues
2011/12	\$2,156,324	(\$0.21 rate)	\$2,161,819
2012/13	\$2,158,569	(\$0.21 rate)	\$1,660,374
2013/14*	\$2,124,073	(\$0.246 rate)	\$1,670,277
2014/15	\$2,335,023	(\$0.276 rate)	\$1,735,199
2015/16	\$2,353,184	(\$0.276 rate)	\$2,272,312
2016/17	\$2,690,014	(\$0.276 rate)	\$2,474,211
2017/18	\$2,384,895	(\$0.276 rate)	\$2,693,947
2018/19	\$3,110,792	(\$0.36 rate)	\$2,796,500
2019/20*	\$3,007,042	(\$0.36 rate)	\$4,443,802
2020/21	\$3,511,722	(\$0.42 rate)	\$3,576,770
Projected			
2021/22	\$4,429,782	(\$0.53 rate)	\$4,336,555

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*The year following a countywide revaluation of property

Composition of the Local Tax Rate:

Municipal tax	23.00 cents
Fire tax	11.00 cents
Dam Capital improvements	<u>19.00 cents</u>
Total tax rate	53.00 cents

+ Rutherford County 59.7 cents (FY 2021/22 proposed rate)

For the Lake Lure taxpayer, 47% of their property tax bill supports their Lake Lure budget and 53% supports Rutherford County's budget. The Town has no involvement in the setting of the county rates, the collection of the taxes or the spending priorities within the county budget.

A tax rate of 53 cents puts Lake Lure in line with other comparable municipalities that are responsibly funding their operations, their capital improvements and capital reserves. We looked at other retirement/resort communities of similar populations and tax valuations and found that, comparatively, Lake Lure taxpayers pay less than their counterparts in these other communities and have a significantly lower debt burden.

We are proposing raising the tax rate by \$0.11 to \$0.53 this year. On tax bills, citizens will see this in three component parts: a 23 cent rate for municipal services, 11 cent rate for fire protection services and a 19 cent rate for dam capital reserve fund. This should generate \$4,396,281 in tax revenue on real, personal and utility property, assuming current collection rate. Real estate is valued at \$857,759,985 and motor vehicles are estimated to be \$12,814,046.

1. Fees and charges - All of the fees and charges for town services have been reviewed and the budget assumes the increases in boat permits (select commercial, resident annual motorized, non-resident annual motorized), a new cluster mooring annual fee and 60% increase Community Development fees (due to many years of no increases) and no increases in water and sewer fees. A new fee schedule will be brought to Council for approval at the July 13, 2021 regular Council meeting.
2. Dredging - The proposed budget includes \$850,000 for dredging-related expenses. This is part of a 10-year commitment to this critical, high-priority task as recommended by the Lake Advisory Board.
3. Increases in Operating Costs
 - a. Medical Insurance costs increased 10%
 - b. Utility costs have increased 5 %
 - c. One full-time employee added – Assistant Finance Director
 - d. Salaries for Specific Position increased – HR Specialist

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- e. Lobbyist (The Policy Group) Retained - assisting with securing external revenue & legislation.
- f. Town Engineer (Kurt Wright/SDG Engineering) Retained – assisting with day to day guidance as needed.

4. General Fund - Thirty-three percent of the General Fund operating budget goes to Police, Fire and Administration services, which is common among municipalities. These services are outlined below:

- Service Area: With a permanent population of 1,200 and seasonal population estimated at 10,000, the Town of Lake Lure covers approximately 14 square miles [*note: it is larger than the combined areas of Hendersonville, Flat Rock, Laurel Park and 1/3 of Fletcher.*] In the five surrounding counties, only Asheville and Mills River are larger in area than Lake Lure. We have over 2,000 housing units and 51 miles of public roads separated by an 800-acre lake. There is approximately \$900 million in property values within the town limits.
- Police: To protect the Lake Lure area effectively and safely, we have 8 patrol officers, an administrative assistant and a Police Chief. We provide 24-hour coverage by 2 officers as a crime deterrent, to provide prompt response throughout our service area and as safety backup for an officer on duty. Although we receive some support from county services (sheriff and EMS), these agencies cover a much larger region and have not committed to providing the service levels desired by the Town. We are budgeting for two additional police vehicles.
- Fire: To provide fire protection, medical and rescue services throughout the town, we maintain a Lake Lure department (with 7 staff) and contract with 3 volunteer departments. This level of coverage affords an insurance rating that directly reduces the costs of homeowner's insurance for each structure in town by as much as 50%. The collective savings to homeowners far exceeds the total fire protection budget. The Lake Lure fire budget represents 11 cents per \$100 of property value. Elsewhere in the county, that cost ranges from 5 cents (Chimney Rock Village) to 12 cents (Shingle Hollow). Other districts 11 cents per \$100.
- Administration: the following functions are provided by 7 individuals and outside contractors in the Administration budget: Executive Management, Financial Management & Audit, Town Clerk/Recordkeeping, Human Resources, Customer Service, Legal services, and Communications services. A wage and salary study verified our wages and salaries are competitive with our peers.
- Community Development: The Town Manager is also serving the Community Development Director and is mentoring the newly appointed Assistant Community Development Director. The Town Manager currently has all credentials/certifications to be the Community Development Director and retain this title until the Assistant Community Development Director achieves full certification.
- Grants/Appropriations: This budget has five different grants/appropriations programmed to help fund some of the capital projects. If the grants are not secured, then the project will be placed on hold until the grant is received.

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5. Water and Sewer Operations: These are tracked in their own enterprise fund. In the last few years we have stabilized these operations and continued a program of minor repairs and improvements. Of most concern is sewer operations, where compliance issues and challenges with our old and undersized plant have dramatically increased our annual operating costs. In addition, our subaqueous sewer system comes with its own unique set of challenges. In Lake Lure, the unique challenges of our geography, age of the infrastructure and small customer base make it difficult to cover costs without setting unreasonably high rates. The Phase 1 sewer project is a top priority. We will be setting aside surplus to help fund the Sewer SRF (State Revolving Fund) loan, a low interest loan. We are not proposing a rate increase in water and sewer rates. The 30% increase last year was recommended by WithersRavenel, a firm engaged to study our finances and make a recommendation.
6. Dam & Hydroelectric - Revenues in the Electric Fund are conservatively projected to be approximately \$400,325. Plant improvements are underway in the form of automation. The small generator is back producing power after being offline for over three years. The reservoir drain (sewer access valve) for the dam is the next large project we plan to execute. The design is largely funded by a FEMA grant. Reservoir drain (sewer access valve) construction (2.5 million) will be funded by the 12.5 SRF loan.
7. Golf Course – There is one (1) year remaining in this contract with Lake Lure Golf Management, Inc., a family operation headed by Dale and Kathy Minick. However, the Town and Lake Lure Golf Management, Inc. will be working in good faith to end the lease early. The FY 20-21 operating budget does include a \$100,000 subsidy to the course operator and \$6,000 for the maintenance of buildings. All other expenses, as well as revenues, profits or losses will be the responsibility of Lake Lure Golf Management. Again, the Town will be exploring options relative to the operations and/or a higher and better use of the property over the next six months. If the lease ends early, the Town will perform ground and building maintenance but will not offer golf as a formal activity to the public.
8. Parks, Rec & Lake - Cost increases are due to equipment needed, one additional position, and additional dredging using mechanical and hydraulic methods. The department will be taking on new responsibilities relative to grounds maintenance like mowing of the amphitheater and former golf course.
9. Debt Service – the budget contains the following debt:

General Fund

- Vehicles-Police, Lake, Rec, & Parks
- Old Marina Renovation (last payment in November 2021)
- Fire Engine
- Boardwalk/Marina
- Barge
- Mini-excavator
- Workboat

Water and Sewer Fund

- Water Line Extension to Ingles
- Sewer Joint Wrapping Program

10. Salaries & Benefits: There is a 2.5% cost-of-living salary adjustment (C.O.L.A.) included in the budget. The budget maintains current levels of contribution to retirement and healthcare benefits,

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which include:

- NC state employees retirement fund premiums (defined benefit plan)
- A 401K contribution match of up to 5% of earnings for all full-time employees
- Employee healthcare insurance premiums
- NC state retirees healthcare insurance premiums

The annual performance bonus program has been included. The program is slowly shifting toward performance and away from longevity. These funds are traditionally distributed to employees in December. The cost of this program has been normally covered by savings realized from the previous budget year. If savings does not occur, then the program is not funded. Finance Director believes enough savings from FY 20-21 will be realized to fund this program in FY 21-22.

11. Vehicles & Watercraft – In the coming year, we will continue our practice of retiring and consolidating these assets to ensure the smallest and most efficient fleet required to provide needed town services. We will utilize loans and the Capital Reserve Fund to refurbish or replace needed assets at the end of their usable life.
12. Outsourcing – Where possible, we will continue to seek opportunities for outsourcing when appropriate, keeping employee headcount low by using public tax dollars to contract with the private sector to provide municipal services where possible. We already contract for:
 - garbage & recycling collection
 - sewer treatment plant operation
 - golf course operation
 - beach and marina operation
 - engineering (Schnabel, LaBella, SDG)
 - legal
 - financial audit
 - lobbying (The Policy Group)
13. Insourcing – The Town is embarking on a plan to begin insourcing operations where possible so that money can be saved, too. One of these areas is sewer treatment plant operations. Plans are underway to train Dam & Hydro Staff to eventually take over sewer plant operations. In addition, we will construct a substation of the Lake Lure Fire Department that will save the Town approximately \$45,000 annually.
14. Contingency – this line item is typically used to cover unanticipated costs or needs during the year that were not appropriated elsewhere. Contingency funds are used only upon approval by the Town Council in a budget amendment. If unused at the end of the year, they can be appropriated for other purposes or returned to fund balance. To balance this year's budget, we have eliminated this line item. Thus, a significant, unplanned expenditure will need to be covered from accumulated fund balance in the General Fund upon approval by Town Council.

While this budget does not address every need, want, preference, desire, project, program, or requested capital item, it will provide for the continuation of the municipal services currently provided and at the level expected by our residents, while ensuring that we are maintaining the assets we have and setting the stage to make significant strategic investments in infrastructure.

I hereby request your formal input of the proposed Town of Lake Lure Budget for Fiscal Year 2021-2022 so that it can be finalized and presented to Town Council May 26th. Once finalized, staff will convert the budget

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message to an ordinance to prepare for adoption. I am also recommending that the public hearing for the **Budget for Fiscal Year 2021-2022** be rescheduled for June 23, 2021 at 5:00 pm. The budget will then be adopted thereafter at Town Council's pleasure.

cc: Town Council

Sam Karr, Finance Director
Department Heads