



Office of the Town Manager

TO: Mayor and Commissioners
FROM: Shannon Baldwin, Town Manager
DATE: May 29, 2020
RE: Budget Message and Proposed Budget for Fiscal Year 2020-2021

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 Budget for Fiscal Year 2020-2021 commencing July 1, 2020 and ending June 30, 2021. This budget is based on careful analysis of departmental operating budgets, Capital Improvement Plans and prioritized needs as identified by department heads and in budget workshops with Town Council. In summary, the budget is balanced at a recommended tax rate of \$0.42 per \$100 of property value.

This memorandum provides summaries and detailed discussion of the budgets for General Fund, Water/Sewer Fund and Electric Fund.

REVENUES

I. GENERAL FUND

Ad Valorem and Vehicle Taxes	\$3,511,722
State Shared Revenues & Grants	\$2,388,026
Installment Loan	\$84,879
Lake & Tours	\$673,550
Beach	\$50,000
Marina	\$266,500
Miscellaneous Revenues	\$79,162
Land Use Fees	\$27,600
Transfer from Capital Reserve Fund	\$11,728

TOTAL GENERAL **\$7,103,167**

Budget Message

May 29, 2020

Page 2

II. WATER/SEWER FUND

Water and Sewer \$1,570,110

TOTAL WATER/SEWER \$1,570,110

III. ELECTRIC FUND

Electric Receipts \$601,500

TOTAL ELECTRIC \$601,500

TOTAL REVENUES – ALL FUNDS(memo only) \$9,274,777

EXPENDITURES

I. GENERAL FUND

Operations

Public Safety

Fire Department \$889,584

Police \$826,340

Administration, Finance & Technology

Administration \$977,004

Insurance/Bonding \$143,500

Information Technology/Telecommunications \$99,300

Governing Board \$32,300

Public Works & Maintenance

Public Works \$511,652

Sanitation \$229,400

Recreation

Parks, Recreation, & Lake \$887,055

Golf Course \$106,000

Beach & Marina \$17,500

Community Enhancement

Community Development \$202,788

Economic Development \$105,417

Capital Outlay and Debt Service

Capital Outlay & Projects \$1,258,329

Transfer to Capital Reserve Fund \$483,936

Debt Service (all general fund depts.) \$333,062

\$7,103,167

TOTAL GENERAL

II. WATER/SEWER FUND

Sewer Operations	\$548,300
Water Operations	\$135,392
Capital Outlay	\$206,000
Debt Service	128,975
Transfer to Equity	\$551,443
TOTAL WATER/SEWER	\$1,570,110

III. ELECTRIC FUND

Operations	\$439,638
Capital Outlay	\$45,900
Transfer to Equity	\$115,962
TOTAL HYDRO-ELECTRIC	\$601,500

**Totals all
Funds (memo
only)**
\$9,274,777

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, 2019¹</u>	<u>June 30, 2020²</u>
General Fund ³	\$2,470,189	\$2,850,000
Water/Sewer Fund ⁴	\$71,234	\$165,000
Electric Fund ⁴	\$337,088	(\$200,000)

Reserve Funds

Bridge Preservation Fund ⁵	\$75,000	\$75,000
Silt Removal Fund	\$64,265	\$64,265
Capital Reserve Fund	\$160,770	\$76,965

Budget Message

May 29, 2020

Page 4

- Notes:**
- 1 - From Audit Report for FY2018-19
 - 2 - Estimates provided by finance director and based upon data available on April 30, 2020
 - 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
Projected			
2020/21	\$3,511,722	(\$0.42 rate)	\$3,576,770

*The year following a countywide revaluation of property

Composition of the Local Tax Rate:

Municipal tax	24.90 cents
Fire tax	11.10 cents
Capital improvements	<u>6.0 cents</u>
Total tax rate	42.0 cents
+ Rutherford County	59.7 cents (FY.2019/20 proposed rate)

For the Lake Lure taxpayer, 41% of their property tax bill supports their Lake Lure budget and 59% 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 42 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 \$0.06 to \$0.42 this year. On tax bills, citizens will see this in two component parts: a 30.9 cent rate for municipal services and 11.1 cent rate for fire protection services. This

Budget Message

May 29, 2020

Page 5

should generate \$3,511,722 in tax revenue on real, personal and utility property, assuming a 99.98% collection rate. Real estate is valued at \$831,892,723 and motor vehicles are estimated to be \$16,229,000. We have considered our projected revenues with COVID-19 in mind with respect to our state sales tax collections and certain tourist related line items.

1. Fees and charges - All of the fees and charges for town services have been reviewed and the budget assumes an additional increase in boat permits and 30% increase in water and sewer fees and charges.
2. Fund Balances - The proposed budget also utilizes \$11,728 from the capital reserve fund, accumulated from 3 cents of tax earmarked for capital improvements in prior years.
3. Dredging - The proposed budget includes \$425,000 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.
4. Additional revenues (through taxes, fees or growth in property values) or eliminate services and associated costs from the budget.
5. Increases in Operating Costs
 - a. Medical Insurance costs increased 10%
 - b. Utility costs have increased 5%
6. Thirty-eight 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 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 over \$858 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 one additional police vehicle.
 - 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 11.1 cents per \$100 of property value. Elsewhere in the county, that cost ranges from 3 cents (Chimney Rock Village) to 18 cents (Forest City). Most common is 11

Budget Message

May 29, 2020

Page 6

or 12 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/Public Information services. A wage and salary study verified our wages and salaries are competitive with our peers. We are proposing an additional staff accounting position.
- Community Development: Overall, department costs have decreased in staffing and reorganization. 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.
- This budget has five different grants 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.
- 2. 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. Several water and sewer projects are top priorities to be addressed using the Capital Reserve Fund and infrastructure loans. We will be setting aside surplus to help fund the Sewer SRL (State Revolving Loan) Fund and are proposing a 30% rate increase in water and sewer rates to address the low interest loan.
- 3. Hydroelectric Generation - Revenues in the Electric Fund are conservatively projected to be approximately \$600,000. Plant improvements are budgeted as part of the multi-year Capital Improvement Plan.
- 4. Golf Course – The golf course continues under the operation of the Lake Lure Golf Management, Inc., a family operation headed by Dale and Kathy Minick. The FY 20/21 operating budget includes 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. Course play and memberships continue to show a decline that matches overall industry trends. There are 2 years remaining in this contract. The Town will be exploring options relative to the operations/property over this timeframe.
- 5. Parks, Rec & Lake: Cost increases are due to salary adjustment and two work trucks.
- 6. Debt Service – the budget contains the following debt:

General Fund

- Vehicles-Police, Lake, Rec, & Parks

Budget Message

May 29, 2020

Page 7

- Marina Renovation
- Fire Engine
- Boardwalk/Marina
- Patrol Boat
- Aerifier
- Dump truck

Water and Sewer Fund

- Water Line Extension to Ingles
- Sewer Joint Wrapping Program

7. Salaries & Benefits: There is no 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, 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
8. 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.
9. 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
 - legal
 - financial audit
10. 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.
11. 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

Budget Message

May 29, 2020

Page 8

expected by our residents, while ensuring that we are maintaining the assets we have and making significant strategic investments in the community.

I hereby request your formal adoption of the town budget for Fiscal Year 2020-2021.

cc: Town Council

Sam Karr, Finance Director
Department Heads

F U N D A M E N T A L