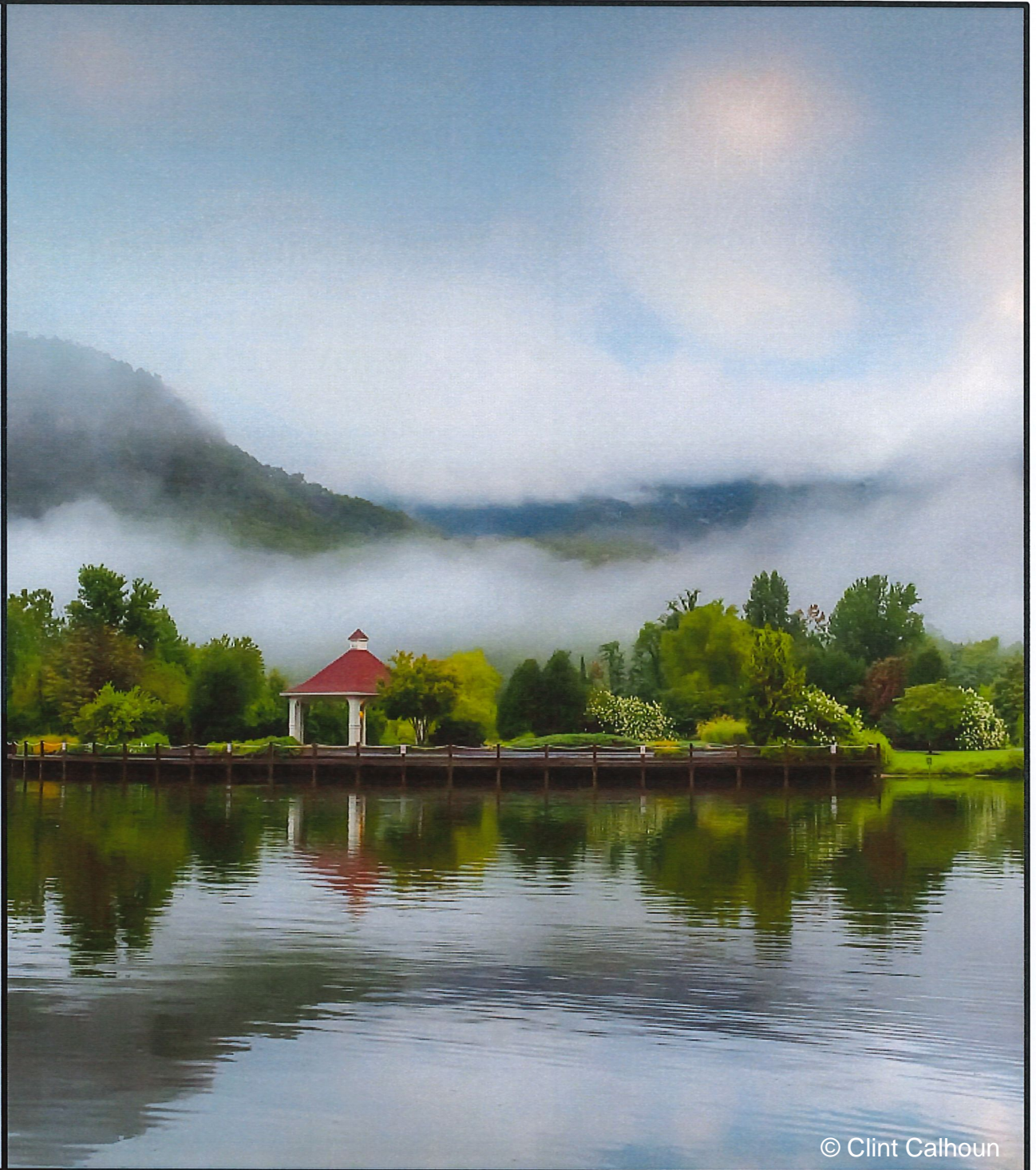




Town Of Lake Lure

Capital Improvement Program

2018 - 2023



**Town of Lake Lure
North Carolina**

**Capital Improvement Program
Fiscal Years 2018-2023**

BOARD OF COMMISSIONERS

Kevin Cooley, Mayor
John Moore, Mayor Pro Tem
Bob Cameron, Commissioner
John Kilby, Commissioner
Stephen Webber, Commissioner

TOWN MANAGER

Ron Nalley

FINANCE DIRECTOR

Sam Karr

INTERIM TOWN CLERK

Michelle Jolley

TOWN OF LAKE LURE

CAPITAL IMPROVEMENT PROGRAM

FISCAL YEARS 2018 - 2023

**Lake Lure, the Gem of the Carolinas, is a Mountain Lake Community that has
a Harmonious Balance of Interests of our Citizens, Businesses and Visitors,
Achieved through Open Communications and Managed Growth that Emphasizes Fiscal
Responsibility and Stewardship of our Natural Beauty and Environment.**

TABLE OF CONTENTS

Policy and Guidelines	2	434000 - Fire	35	Water/Sewer Fund Exp.	149
		451000 - Public Works	53		
General Fund Revenues	9	472000 - Sanitation	69	Summary All Departments	150
		492000 - Economic Dev.	71	713000 - Water	151
Summary	10	493000 - Community Dev.	73	714000 - Sewer	159
Revenues	11	613000 - Parks & Recreation	95		
		615000 - Beach & Marina	111	Electric Fund Revenues	167
General Fund Expenditures	13	617000 - Golf	117		
		618000 - Lake	131	Summary	168
Summary All Departments	14	Water/Sewer Fund Rev.	147	Electric Fund Expenditures	169
411000 - Commission	17				
413000 - Administration	21	Summary	148	720000 - Electric Operations	170
431000 - Police	27				

TOWN OF LAKE LURE CAPITAL IMPROVEMENT PROGRAM FISCAL YEARS 2018 - 2023

Introduction

It is our pleasure to submit to the Mayor and Board of Commissioners for the Town of Lake Lure the proposed Capital Improvement Program for fiscal years 2018 through 2023. This document is intended as a resource and reference as the Board considers substantial funding commitments for the next fiscal year and future years. We hope that you find the quality of the document to your liking and the information contained herein sufficient to allow the Governing Body to make informed decisions regarding the direction that the program sets for the next five years.

What is a Capital Improvement Program?

A Capital Improvement Program (CIP) is a financial planning tool that looks into the future to forecast the Town's equipment, building, and infrastructure needs. It encourages the community to forecast not only what expenditures they intend and expect to make, but also to identify potential funding sources in order to more properly plan for the acquisition of the asset. Upon adoption of the Plan, the first year of proposed CIP becomes the list of capital items that are included in the proposed budget for the coming fiscal year. The program is then updated and revised on an annual basis to insure previous projections are still on course. In so doing, the Town is always working on a prospective five-year schedule.

The CIP is designed to be a flexible planning tool. In the most ideal of situations, the CIP is revised and reviewed prior to the initiation of the Annual Budget process. By beginning the review and revision process ahead of the development of the Annual Budget, the community is better able to scrutinize the actual needs of both the community and the organization, outside of the constraints of the budgetary process. Despite its independence from the development of the operating

budget, the CIP does not merely represent a "wish list" of items without regard to the fiscal constraints that will face the governing board when the time comes to fund the previously identified needs. Rather, all projects proposed for funding in the CIP are prioritized and include projections of revenues that are expected to be available at the time of any expenditure. If, when it comes time to develop the Annual Budget, sufficient funds are not available to pay for CIP projects, the document provides sufficient flexibility for the governing body to re-prioritize expenditure and project scheduling. It is imperative that the governing board adopting a CIP understand that it is simply a flexible planning tool and that in adopting a particular CIP they are not committing to fund a particular project. The CIP serves only to recognize the importance of a project to the community and projects a timeframe in which it should be undertaken.

What Items Are Included in a CIP?

Different local governments have differing thresholds for inclusion of items and projects in a CIP. Generally speaking, the larger the governmental unit, the greater the dollar limit that is used as the minimum threshold above which items are to be included in the CIP. In Lake Lure, an item is included in our CIP if it has a life expectancy of greater than one year and a value of greater than \$5,000. In some cases, we may include an item in the proposed plan that is not tangible. Those items, while not generally considered to be traditional capital items, are sometimes included because they represent a significant, inordinate expenditure on the part of the local government.

The limitations that we place on items for inclusion as a CIP request (one-year life expectancy and \$5,000 or more in value) should not be confused with our general accounting definition of a capital item. For budgetary and accounting purposes, our definition of a capital item is greater than \$500 with a life expectancy of greater than one year. That means that although we call this document our Capital Improvement Program, it is not an all-inclusive list of anticipated capital expenditures within the CIP planning period. We do not include items under \$5,000 in value in the CIP because the acquisition of items of lesser value is considered relatively routine. The development of a CIP showing each anticipated capital acquisition in excess of \$500 within the coming five years would be far too cumbersome to develop, review and maintain.

Why Have a CIP?

As referenced above, a CIP is a planning and growth management tool. The Plan allows a community to provide for the

replacement of capital facilities and equipment. It also allows the community to plan for future development through the identification of equipment, buildings and infrastructure that will be needed in order to accomplish particular objectives.

The CIP emphasizes sound financial planning. One of the key components of any CIP is the projection of revenue sources. Not only can these projects be used in developing the CIP, they can also be used in a multitude of other local government matters that require a determination of the availability of future resources. Another aspect of financial planning that is emphasized through the CIP development process is the identification of alternative funding sources for a project before that project is a necessity.

Alternative funding sources generally are interpreted to be either State or Federal grants, but alternative funding can go far beyond those areas. In today's local government environment, we increasingly look to outside funding sources that include non-profit or not-for-profit organizations. We also find ourselves looking to donations and the voluntary service sector for assistance in the development of not only capital projects but the maintenance of on-going operations as well. Finally, the CIP contributes to good financial planning by identifying for us, in sufficient time, large projects that will need funding from somewhere other than current revenue sources. That leads us to review debt financing sources or, better yet, allows us to follow an old practice that is still one of the most sound financial tools around – save for the project in anticipation of its need.

A side benefit to the development of the CIP is that local government observers and regulators, including lending agents, see the development and maintenance of a sound CIP as key to the financial success of any governmental unit. That results in more confidence in the financial operations of the local government, which then translates into lower bond ratings and lower interest rates. Lake Lure, like all local governments, typically finds itself in the position of needing to borrow money in the normal course of business, and when it does, lower interest rates means less tax dollars that must be paid for the use of that money.

As sound a financial planning tool as the CIP may be, it is equally as useful as a physical planning tool. The CIP encourages local officials to look carefully at the timing of projects in order to determine if there is coordination that can/should occur before a project can take place. This planning may help to reduce duplication of effort and promote scheduling that will allow for the acquisition of assets at the optimal time. Optimal replacement of equipment, for example, allows the local

The bottom line is that the CIP is primarily a financial planning tool. While it does allow for coordination and replacement of assets, the end result of the development and implementation of a CIP is that the local government will realize financial benefits from properly planning for the acquisition and development of those assets.

How Do You Prioritize CIP Projects?

In the text of the attached document, you will note that each project has both an organizational priority and a departmental priority. The departmental priority is a numerical rating indicating the order in which the department head would like to see the projects within his or her department funded. The organizational priority is designed to weigh projects in relative importance across department lines. For the organizational priority ranking, we use an alphanumeric system. In assigning those priorities, we measured each proposed project against the following criteria in order to determine relative rank.

1. Addresses a health or safety issue;
2. Is mandated by some federal or state agency;
3. Is the replacement of an existing item; or,
4. Is an expansion item.

The criteria are placed in rank order. The higher a project could be placed in comparison to this hierarchy of needs, the more important it is considered to be to the community. So a project addressing a health or safety need is considered most important to the community while one determined to be an expansion item is determined to be of lesser importance. The theory behind this rank hierarchy is that you must address the organization's basic mission before you begin expanding into other areas.

For projects in the first year, we use a numerical ranking. Projects are rated based upon relative importance with the top project being listed as number one (1) and the remaining projects following in descending order. In the remaining years of the CIP, projects are given an alphabetic ranking that reflects its need based upon the hierarchy set forth above. Projects receive an "A" ranking if they address a health or safety concern; a "B" ranking if they are mandated by some State or Federal regulation; a "C" rating if they are a replacement item; and, a "D" rating if they are considered an expansion item.

How Are Projects Developed for Inclusion in the CIP?

In developing a CIP, we first hold a public hearing at which the concept of the CIP is explained and input for proposed projects is solicited. We then also ask department heads to identify their departmental capital needs over the five-year forecast period. Requests are returned at which time further clarification is sought. Requests are then ranked against the relative needs of the organization. Once the initial discussions are concluded and requests prioritized, projects are coordinated in an effort to eliminate duplication/overlap and to take advantage of any available funding opportunities. Finally, priorities are once again reviewed and the projects are then placed into the format that is contained herein. The results of the draft CIP are then shared with the Board of Commissioners and the public in a hearing designed to solicit input on the proposed document.

How are Project Costs Determined and How Are Projects Scheduled?

The year in which a project is scheduled to be undertaken is not necessarily indicative of its relative importance to the community. Scheduling of projects is done in accordance with relative need, coordination with other projects and the availability of appropriate funding.

Project justifications and cost estimates are far more detailed and accurate for those items that are scheduled for funding in an earlier fiscal year. The closer we get to the time at which we will undertake a project the more important it becomes for us to have a more accurate picture of the total project costs. Conversely, projects scheduled for later years are likely to change in scope and/or the acquisition costs are likely to change due simply to inflation, therefore less emphasis is placed on the accuracy of the cost figures associated with those projects.

The anticipated cost of CIP projects is expressed in today's dollars without accounting for inflationary factors in future years. While this may seem foolhardy to some, accurate projections of future years' costs is virtually impossible. As we perform our annual updates of the CIP, projects in the forecast years will be re-evaluated and become better defined. This update process will also allow us the opportunity to revise projected costs to reflect accurately, then current year dollars.

In some cases projects scheduled for the fourth, fifth or “Future Years” category are included in the CIP simply to determine if there is sufficient community support for such a project. It is not unusual for CIP projects to linger in the later years’ columns through several updates while the community attempts to decide if a project is important. Similarly, projects may be pushed back from year to year as priorities shift and the community waits for the appropriate time to undertake a project that is seen as less important. Finally, we sometimes find that project support may exist early on in the CIP development process, but that support may wane the closer we get to the time at which the project is scheduled to be undertaken. Once again, the CIP is a flexible tool designed to meet the ever-changing needs of the community.

About this Plan

In your review of this document, you will find information contained on many different forms that are placed in a format that is designed to give you increasingly intimate knowledge of the capital needs of the Town. We would like to take the opportunity to provide an overview of the information that is contained herein.

The document is arranged in a format that provides the reader with greater and greater detail the further that they read into the plan. The plan is divided into three sections. Each section is devoted to a separate governmental accounting fund. First, you will find projects proposed for funding in the General Fund, followed by those proposed with the Water Fund, and finally those proposed in the Electric Fund. Each section provides the same type of information regarding the individually proposed projects and the anticipated funding.

In each section, we begin with an analysis of the projected revenue over the course of the planning period for that particular fund. Summary sheets showing all of the proposed projects and their proposed implementation schedule within each fund then follow the revenue projections. On those summary pages, you will also find information regarding the types of expenditures that will be necessary in order to accomplish the objectives, together with proposed funding sources for each the projects. The initial fund summary sheets are then followed by departmental summaries that are placed immediately in front of the individual project proposal forms. In choosing this format, it is our intention to provide the reader with summaries of the proposed expenditures, separated by fund, coupled together with supporting information that should provide sufficient information to gain a basic understanding of the need and justification for a proposed project.

Revenue projections are provided within this document because they are critical to the successful implementation of a CIP. Projections of revenues five years into the future (at this point in time) are considered to be, at best, an educated guess; however, without a reasonable expectation of what resources might be available for a proposed project, the community cannot make an informed decision regarding the viability of that project. For example, a project may not be considered viable if the Town has to pay 100% of the cost, yet it might be considered somewhat more viable if a grant can be obtained in order to offset some of the direct cost to the community. Similarly, some projects may be considered viable only if the Town can save money in anticipation of the project thereby offsetting some of the costs with future year revenues. Without revenue projections, a community cannot make an informed decision as to the most appropriate timing for undertaking a project.

Summary

With the plans, desires and dreams that we all have for our community, it is especially important to prioritize our capital projects as we are going to have stiff competition for the future allocation of limited public resources. Without this critical financial planning document, attempting to satisfy needs identified through the development of various Town plans and programs is likely to overwhelm the Town and its capabilities. In addition, without the development of proper planning tools that recognize and prioritize public needs/desires, the Town stands to thwart the energy and enthusiasm of a public that currently participates at exceptionally high levels. If that enthusiasm is thwarted, we shall lose our most valuable asset in the accomplishment of our goals – public support and involvement. This proposed CIP is a tool that allows us to assess needs, together with resources, and to make more systematic decisions regarding the emphasis that the community will place on particular goals and objectives. The CIP is not a begin all and end all of community planning, but it certainly is a key element in providing community direction.

We present to you, for your consideration, the FY 2018-2023 Capital Improvement Program for the Town of Lake Lure. The CIP is an excellent and necessary planning tool in today's local government environment and we encourage your input and value your opinions.

Respectfully Submitted
Ronald W. Nallev