

How will the tax increase affect me?

Let's take a sample home with an assessed property valuation of \$300,000 (that's higher than the median value in Lake Lure). The current tax rate is 24.6 cents per \$100 of value, which results in a local property tax bill of \$676.

The three cent levy for capital improvements will add just \$82.50 in annual taxes and it will go directly to improvements in water, sewer, roads, parks, public safety equipment, town center enhancements, etc.

Our local property tax bill contains two components:

- The portion levied by Rutherford County (currently 60.7 cents)
- And that levied by the Town of Lake Lure (27.6 cents, including the 3 cents for capital improvements).

In the 1980s, the county and town amounts were roughly the same. Over the last 30 years, the county's portion has increased at a faster rate than the Town's. The council's intent is not to catch up to the county, but to acknowledge the real costs of our municipal services and the assets required to deliver those services.

As your elected and appointed leaders, we strive to represent all stakeholders and to make reasoned, responsible decisions that are in the best interests of the Town and that will achieve the community's long-term goals and objectives.

Your Mayor & Town Council:

Mayor Bob Keith

Mayor Pro-Tem John Moore
 Commissioner Diane Barrett
 Commissioner Bob Cameron
 Commissioner Mary Ann Silvey-Dotson

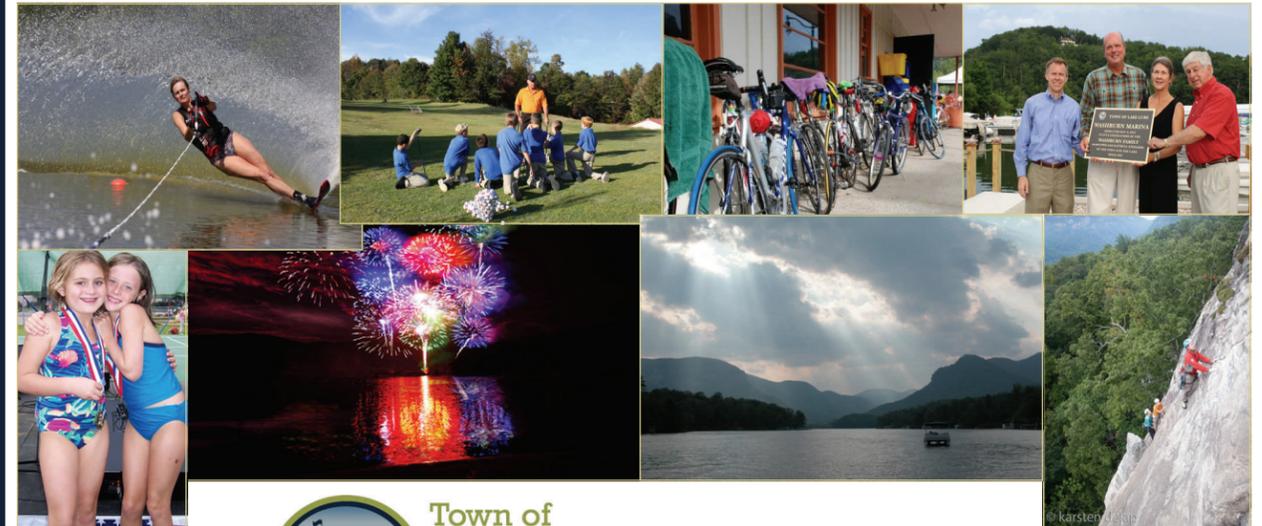
Chris Braund - Town Manager

P.S. Next time you're wondering what kinds of benefits you enjoy for your local taxes, think about this:

- A high quality of life in an incredibly scenic area
- A very low crime rate
- Arguably the best network of fire, medical and rescue responders in the region
- A pristine lake in a mountain setting, professionally managed for safety and un crowded enjoyment
- Environmental protections and carefully planned growth
- Excellent financial health and solvency
- A small, efficient and highly effective staff
- A commitment to continual improvement of the community and the local economy and a 20-year Comprehensive Plan as a guide

By increasing resident population, we will see more businesses, services and conveniences come to Lake Lure.

Adding recreational facilities not only attracts visitors and adds jobs, but provides local property owners more options for exercise and fun.



An Open Letter to Citizens & Property Owners

Lake Lure in 2013 - Where we've been and where we can go together

It doesn't take much to see that despite the difficulties of the recession of the last several years, this is indeed an exciting time for the Town of Lake Lure. We have emerged leaner, stronger and with a clear vision for continuing to improve our quality of life and economy. At a time when other communities have stalled, many new initiatives were born or enhanced in Lake Lure. Consider what we have achieved together just since 2009:

- The opening of Lake Lure Classical Academy
- The Lake Lure Flowering Bridge
- A comprehensive renovation to the Washburn Marina
- The preservation of Chimney Rock State Park for all to enjoy for generations to come
- More vibrant festivals, including the Olympiad, Dirty Dancing, Dragon Boats and the Arts festivals
- New housing construction in developments including Firefly Cove & Blue Heron Point
- New community branding and promotion program for Lake Lure & Chimney Rock Village
- A comprehensive renovation to the TDA's Lake Lure & Blue Ridge Foothills Welcome Center
- A revitalized Chamber of the Hickory Nut Gorge refocused on economic development
- Town parks, created or greatly enhanced – Morse Park Wetlands, Donald Ross Nature Trails & Buffalo Creek Park trail system, opening this year
- A restored municipal golf course, outsourced and now on the road to profitability
- A wide-ranging enhancement to our sewer plant which resulted in regaining 60% capacity by repairing pipe joints at the bottom of the lake and reducing infiltration of lake water into the system

In addition to these achievements, active citizen involvement has helped to begin or complete professional plans for and enhanced Town Center, new entrance to the state park and a streamlined road traffic and a walking path between Lake Lure and Chimney Rock Village

We've implemented more sophisticated mechanisms to protect our environment and valuable scenic assets: the lake, our forests and the steep hillsides

We're enhancing the incredible features of our community and then promoting our experience to encourage more visitors, property investors, residents and entrepreneurs.

How have we been able to achieve all of this in a recession and how will we achieve even more in the future? Read on to find out!

How have we accomplished this?

As the recession deepened, the Town took steps to stabilize and economize, but to also plan and prepare for the growth that would return. During these years, we utilized a “fixed income, live within your means” approach and kept local tax revenues unchanged since 2007.

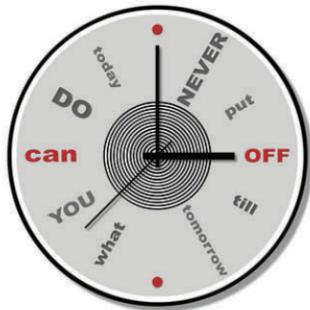
Property values were adjusted by the county in 2011, but the overall tax collections by the Town have remained the same. Yet, just as household costs have risen every year since 2007, the costs of providing municipal services have increased: fuel, electricity, materials, healthcare insurance, services.

Each year, we’ve maintained a balanced budget by utilizing these methods:

- Reducing staff (largely through attrition or shifting work to the private sector)
- Becoming more efficient, improving the delivery of municipal services
- Utilizing grants (what few remain)
- Utilizing loans at historically low rates
- Planning for new community enhancements, but deferring investment
- Deferring major maintenance, refurbishment or replacement of assets



Why We Can't Stay on this Same Course:



As any homeowner or business owner knows, that last item on the list - deferment - can get you in trouble if you defer capital improvements for too long. Assets will break down, repair costs will increase and the cost of replacement continues to go up as you defer.

As leaders of the Town, we have recognized that we have reached a point in 2013 where it is no longer responsible to continue to defer needed investments in our infrastructure.

Each year for the last 4 years, we have spent a smaller amount on capital improvements in order to balance the rising operating costs. We’ve been investing only \$300,000-\$400,000 per year into improving roads, water, sewer, buildings, vehicles and equipment (out of a \$5 million total budget) and

much of that has come from grants. Our long-range capital improvement plan has shifted so much work into future years that we’re now facing needs of over \$1 million every year. When you continue to kick that can down the road, the can only gets heavier!

What are our needs?

- We have 27 miles of roads and four bridges that we maintain, as well as municipal parking lots and drive ways. Using our share of state gas taxes, we spend about \$65,000 each year on paving. That’s not enough and we’re falling behind, so we need to invest more using local funds.
- Much of our water and sewer infrastructure is nearly 90 years old and in need of replacement.
- Our wastewater plant is outdated, undersized and expensive to operate. Whether we can build a pipeline to Rutherfordton and de-commission our plant, or have to upgrade it and continue to run it, we’re facing a \$6-\$12 million cost.
- We have a plan to install a sediment collection system in the river channel to reduce the amount that accumulates in the lake, about a \$700,000 to \$1 million project. Despite regular dredging activity, the plume of sediment now extends 1/4 mile into the lake from Morse Park and the lake is less than 5 feet deep in places. After stopping the continual flow of sediment, we still have outstanding dredging needs in the marina, main channel and near other tributaries around the lake.
- We’re stretching mileage on police cars and town maintenance vehicles to as much as 175,000 miles... but eventually, these will need to be replaced.

- Our Town Center and vibrant main street were envisioned in the 1920s...but never built. It will take investment and the recruitment of private developers to fulfill this goal.
- Wooden boardwalks and docks are in need of replacement with aluminum for extended life and lower maintenance costs. That’s probably \$500,000 of work in total.
- To get the best use of town property in the area of the new school campus, we must remove lead in the soil from the firearm practice range. We’ve commissioned an environmental assessment that produced a cost estimate of \$200,000 to \$300,000.
- The dam and hydroelectric plant need continual maintenance and refurbishment. Fortunately, we can utilize the generation revenues for this. For the past four years, after covering our operating costs and making a contribution to the silt/dredging fund, we’ve invested 100% of our remaining revenues to dam and plant improvements, averaging about \$150,000 per year in upgrades. This frees up property taxes to be utilized for other needs.

What is our Plan?

The good news is that, as the nation’s economy strengthens, we’re well positioned to address both our significant infrastructure needs and our desired strategic enhancements. However, we must take decisive, and sometimes difficult, actions to make this happen. Our strategy is fourfold:

Continue to live within our means. We will hold operating budgets as tight as we possibly can while providing the highest quality municipal services. We will also continue to seek grants that can offset our costs.

Levy a tax increase dedicated to capital investments/infrastructure. While tax increases are never popular, taxes are the primary way that we share the costs of municipal services among those that benefit from them. Fees and utility rates are other ways, but we’ve been raising them where we haven’t been raising taxes. The property taxes we collect are sufficient to cover the operating costs of services like police, fire, public works, parks & recreation, garbage collection and environmental management. Beginning in 2013, we will collect an additional 3 cents per \$100 of valuation and earmark these funds for current and future capital investments. These funds, collected every year, will be used to cover capital outlays, annual debt service on loans for infrastructure improvements or to build up a reserve for future infrastructure needs. Instead of kicking the can down the road, we will begin to fix the can and to set some aside for the future.

Utilize debt to a greater extent. The town can borrow at around 2% interest today and extend payments out 10 or 20 years, which spreads the cost of improvements over the period in which we receive the benefits. By using this leverage, we can accomplish much more than if we paid cash. This will amplify the results we can get with the 3 cent increase. For instance, we can fund \$250,000 of improvements today by paying just \$30,000 in annual debt service. Our current debt load is much lower than our peer communities...those of similar population, those with similar property values (over \$800 million) or resort communities with aging infrastructure and seasonal usage. All told, we currently pay just \$295,000 each year in debt service, which is under 6% of our total budget. That’s like spending only 6% of your household income on the mortgage... a long ways from being overleveraged with debt. Like other communities are doing, we need to better utilize debt as a tool to accomplish today’s needs. Today’s attractive rates will only go up in the future, so now is the time to take advantage.

Maintain strategic reserves. Our general fund reserve is currently \$1.4 million. That’s about the minimum necessary to provide coverage for contingencies and emergencies. More would be better. It’s important to continue to grow this through operating surpluses and to not raid it to pay for capital improvements. Our hydroelectric fund balance is nearing \$500,000. Our water and sewer fund is in poor shape...only around \$200,000 and with many needs.

