



TOWN OF LAKE LURE  
*Office of the Town Manager*

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Incorporated 1927

**TO:** Mayor and Commissioners  
**FROM:** Chris Braund  
**DATE:** June 1, 2009  
**RE:** Budget Message and Proposed Budget for Fiscal Year 2009-2010

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 2009-2010. This budget was created in accordance with the schedule submitted to council earlier this year. This budget is a result of several meetings with the department heads in an effort to minimize capital requests while maintaining the high level of service expected by our property owners and residents. This budget is a result of a great deal of time and hard work of the town finance director, Sam Karr, who with the assistance and input from the department heads through the months of March and April, prepared the initial draft of the document for the Town Council's consideration. This resulted in additional meetings with department heads in an effort to balance the budget. This also resulted in some very difficult project and capital item decisions. The cuts identified from the meetings with the department heads were submitted to Town Council at our budget meeting on May 21 and Town Council prioritized these and identified further reductions to close the shortfall. **In summary, the budget is balanced at a recommended tax rate of \$0.21 per \$100 of property value, maintaining the rate in effect last year.**

This memorandum details all line items for the General Fund, Water/Sewer Fund and Electric Fund. The proposed major areas of revenue for the fiscal year commencing July 1, 2009 and ending June 30, 2010 are as follows:

**REVENUES**

**I. GENERAL FUND**

|                                     |                    |
|-------------------------------------|--------------------|
| Ad Valorem and Vehicle Taxes        | \$2,133,797        |
| State Shared Revenues               | \$972,425          |
| Miscellaneous Revenues              | \$82,060           |
| Land Use Fees                       | \$50,615           |
| Golf Course                         | \$176,275          |
| Lake                                | \$274,700          |
| Beach                               | \$48,000           |
| Marina                              | \$35,630           |
| Admin. charge from Water/Sewer Fund | \$25,000           |
| Admin. charge from Electric Fund    | \$25,000           |
| Appropriated Fund Balance           | \$0                |
| <b>TOTAL GENERAL</b>                | <b>\$3,823,502</b> |

**II. WATER/SEWER FUND**

|                          |                  |
|--------------------------|------------------|
| Water and Sewer          | \$751,407        |
| <b>TOTAL WATER/SEWER</b> | <b>\$751,407</b> |

**III. ELECTRIC FUND**

|                       |                  |
|-----------------------|------------------|
| Electric Receipts     | \$152,500        |
| <b>TOTAL ELECTRIC</b> | <b>\$152,500</b> |

**GRAND TOTAL - ALL FUNDS** **\$4,727,409**

**EXPENDITURES**

**I. GENERAL FUND**

|                         |                    |
|-------------------------|--------------------|
| Governing Board         | \$39,701           |
| Administration          | \$679,198          |
| Police                  | \$693,905          |
| Fire Department         | \$644,082          |
| E.M.S.                  | \$0                |
| Public Works            | \$457,360          |
| Sanitation              | \$175,400          |
| Golf Course             | \$312,900          |
| Lake                    | \$227,270          |
| Beach                   | \$20,000           |
| Community Center        | \$41,023           |
| Community Development   | \$254,228          |
| Marina                  | \$9,820            |
| Insurance/Bonds         | \$140,865          |
| Debt Service            | \$0                |
| Transfer to Water/Sewer | \$46,857           |
| Contingency Reserve     | \$80,893           |
| <b>TOTAL GENERAL</b>    | <b>\$3,823,502</b> |

**II. WATER/SEWER FUND**

|                          |                  |
|--------------------------|------------------|
| Sewer                    | \$454,844        |
| Water                    | \$296,563        |
| Transfer to Equity       | \$0              |
| <b>TOTAL WATER/SEWER</b> | <b>\$751,407</b> |

**III. ELECTRIC FUND**

|                       |                  |
|-----------------------|------------------|
| Operations            | \$152,500        |
| <b>TOTAL ELECTRIC</b> | <b>\$152,500</b> |

**GRAND TOTAL - ALL FUNDS** **\$4,727,409**

**FUND BALANCES**

Our Finance Director has provided the following information regarding the fund balance or retained earnings for each of the town's three operating funds:

|                               | <u>June 30, 2008</u> <sup>1</sup> | <u>June 30, 2009</u> <sup>2</sup> |
|-------------------------------|-----------------------------------|-----------------------------------|
| General Fund <sup>3</sup>     | \$1,029,920                       | \$980,920                         |
| Water/Sewer Fund <sup>4</sup> | \$143,642                         | \$68,678                          |
| Electric Fund <sup>4</sup>    | \$284,264                         | \$200,200                         |

- Notes:**
- 1 - from Audit Report for FY2007-08
  - 2 - estimates provided by finance director and based upon data available to him on May 30, 2009
  - 3 - General Fund amounts are fund balances
  - 4 - Water/Sewer Fund and Electric Fund represent retained earnings.

As always, there were many hard decisions associated with the formulation of this budget. The costs submitted by the staff to address the various needs, wants and desires of the town were in excess of the current array of means to pay for them. The result was a lengthy process of establishing priorities among the many competing good and worthy services and projects in need of funding. In all, nearly \$400,000 of requested budget items were eliminated.

This estimated budget for FY2009-10 is based upon the following:

1. There is an assumption that there will be no annexations or major growth in population served during the subject fiscal year.
2. We are proposing to maintain the tax rate at \$0.21 this year. This should generate about \$2,133,797 in tax revenue on real, personal and utility property, assuming a 99% collection rate.
3. A proposed rate increase for the sewer system to keep up with growing expenses to operate the system. This rate increase would be the first since 1997. The proposed rates are as follows:
  - Base rate-Residential (sewer only) is proposed to increase from \$54.00 to \$65.00
  - Base rate-Commercial (sewer only) is proposed to increase from \$64.00 to \$75.00
  - Base rate-Residential (sewer with water) is proposed to increase from \$28.00 to \$40.00
  - Base rate-Commercial (sewer with water) is proposed to increase from \$36.00 to \$45.00
  - The per 1000 rate for 0-5000 gallons is proposed to increase from \$3.00 to \$3.50
  - The per 1000 rate for 5,001-20,000 is proposed to increase from \$3.25 to \$3.75
  - The per 1000 rate for 20,001 is proposed to increase from \$3.50 to \$4.25

Water and sewer operations are tracked in their own enterprise fund. In past years, excess revenues resulted in regular contributions to this fund. However, the fund has been depleted by major repair and improvement projects required by the state. Several factors have conspired to alter the balance of annual revenues and expenditures:

- Long-deferred improvements to the sewer treatment plant and underwater collection system have added capital costs and debt payments.
- Water system improvements and extensions have added capital costs and debt payments
- Water and sewer rates that did not increase over a 10-12 year period, despite continuing escalation in costs

Water rates were increased last year and a sewer rate increase is proposed this year. Additionally, it is our recommendation that, over the next few years, the council consider a modest subsidy from general fund expenditures in order to close shortfalls in the water & sewer operations. For FY 09-10, this subsidy is expected to be \$47, 857. Such a subsidy is appropriate in when a service essential to a municipality is unable to be fully funded by fee-paying users of the service. In Lake Lure, the unique challenges of our geography, age of the infrastructure and small customer base make it hard to cover costs without setting unreasonably high rates. Additional investments in utilities infrastructure were identified in the Comprehensive Plan as a needed strategy to support growth in key areas like schools, recreational and medical facilities.

4. Regular Operations – the overall budget for regular operations (excluding capital expenditures, projects and debt service) was reduced by over \$50,000 from FY 08-09. Nearly all departments have regular operations budgets that are reduced from last year.

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5. Debt Service – the budget contains the following debt payments:
- |   |          |
|---|----------|
| - Fire Station (payments through 2013)          | \$15,524 |
| - Public Docks (payments through 2012)          | \$15,000 |
| - Water Line Extension to Ingles (through 2026) | \$77,900 |
| - Joint Wrapping Program (through 2029)         | \$75,000 |

The Joint Wrapping Program is a new loan associated with the ARRA federal stimulus award. The award is a 50% grant, 50% no-interest loan up to a maximum of \$3,000,000, to be used to comprehensively seal every joint in the underwater sewer collection pipes.

6. Capital investments or special projects were reduced to only those considered to be essential priorities:
- |   |          |
|---|----------|
| - Silt Removal (regular maintenance dredging)               | \$50,000 |
| - Golf course irrigation water supply/pumphouse replacement | \$25,000 |
| - Town beautification, Donald Ross Trails, Morse Park       | \$15,000 |
| - Lake instrumentation (flows into and out of lake)         | \$10,000 |
| - Morse Park improvements                                   | \$5,000  |

Beyond regular maintenance, no other capital improvements, projects or technology upgrades are planned.

7. Fund Balances – this budget anticipates no withdrawals from fund balances to cover operating expenses. However, it also has no provision for contributions toward restoring or enhancing the fund balances.
8. The budget includes no cost-of-living adjustment (COLA) or merit pay increases for employees. It maintains current levels of contribution to retirement and healthcare benefits, which include:
- NC state employees retirement fund premiums (defined benefit plan)
  - a 401K contribution of 5% of earnings for all employees
  - Employee healthcare insurance premiums (incl. commissioners)
  - NC state retirees healthcare insurance premiums
9. The budget includes no staff additions or reductions
10. The budget includes no purchases of vehicles or major equipment
11. Revenue in the Electric Fund was negatively impacted by the drought conditions in the area during all of 2008. We are proposing a conservative increase in revenues during 09-10. Any revenues above the cost of operations will be contributed to the silt removal fund.
12. The community development department budget includes no new planning projects that require outside, contractual services. The priorities for the department in the coming year include the charter school/NC-9 development area, the anticipated administration of the residential vacation rental program and the completion of GIS inventory of town utility infrastructure. Additionally, the environmental management officer role (and budget) has been transferred to the Lake Operations Department.
13. The costs associated with the lake operations department (staff, supplies, fuel, lake dredging, fish stocking, outside services) are fully covered through boat permit fees, lake tours and fines.

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14. In FY 08-09 and FY 09-10, the golf course is projected to lose over \$150,000 each year. While the council recognizes that an operating profit is a goal, it is not necessarily a requirement because some level of subsidy is acceptable as an investment in a parks & recreation amenity. Given the cost structure and usage history, continuing to operate the course in the current manner is unacceptable. We are actively exploring options that include operating partnerships with professional golf firms or a member-managed cooperative. For the FY 09-10 budget, a planned price increase is projected to generate a 15% increase in revenues.
15. Renovation and expansion of the Visitor's Center / Youth Center is a strategic project that is proposed to be funded by a commercial lease arrangement with the Tourism Development Authority (TDA) and the Hickory Nut Gorge Chamber of Commerce. No additional funds are included in this budget (beyond annual maintenance).

In summary, the proposed town budget now before you is balanced as required by state law. In comparison to last year, overall revenues and expenditures are projected to increase by \$24,479 (.52%). The proposed General Fund budget is increased by \$39,572 (1%) from the prior fiscal year. Revenues/expenditures are increased in the Water/Sewer Fund by \$74,697 (11%), and the Electric Fund has a projected decrease of \$89,790 (37%) over last year's budget.

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 basic municipal services currently provided and at the level expected by our residents, while maintaining our tax rate in a difficult fiscal climate.

I hereby request your formal adoption of the town budget for Fiscal Year 2008-2009.

xc: Sam Karr, Finance Director  
Department Heads  
Mary Flack, Town Clerk