



Office of the Town Manager

TO: Mayor and Commissioners

FROM: Olivia Stewman, Interim Town Manager

DATE: May 27, 2022

RE: Budget Message and Proposed Budget for Fiscal Year 2022-2023

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 2022-2023** commencing July 1, 2022 and ending June 30, 2023. 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 various combinations of Town staff, the Mayor and Council members. 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 21-22.

The **Budget for Fiscal Year 2022-2023** 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 continuing to build a capital reserve for the dam replacement project. The long-term debt service cost may be mitigated by strategic planning and improved business practices. The budget specifically includes:

1. 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;
2. 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;
3. Reducing expensive labor outsourcing by training and professionally developing Town staff to conduct routine maintenance and operations in various areas. Reducing the Town's dependency on contractors is a significant cost-reduction measure;
4. 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 minimized in order to avoid financial burden on Town taxpayers;
5. Continuing to invest in dam, hydroelectric plant and wastewater monitoring and control technology to reduce expensive labor hours required to conduct routine operations. This initiative will allow greater efficiency through employee to cross-training and pursuance of higher priority projects within the community;
6. Providing cost of living increases and heeding to the results of pay studies in order to retain and recruit the necessary workforce to operate unusually sophisticated operations in challenging environments; and
7. Improving or maintaining all current operations and services at levels to meet community expectations.

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Below are specific **outcomes** expected over the next budget year as the Town begins executing the Fiscal Year 2022-2023 Budget beginning July 1, 2022.

Public Safety

Fire

1. Partnering with the Police Department to begin the design and build of a public safety facility.
2. Obtaining E-Bikes in order to have better and faster access to all types of terrains.
3. Increasing pay rates, per a pay study, in order to achieve greater rates of recruitment and retention, from a greater pool of candidates.
4. Continue funding necessary training and purchasing equipment allowing officers to work more effectively.
5. Construction of a floating dock for fire and police boats which will allow public safety to have lake access year-round, including drawdown periods.

Police

1. Replacing body cameras to enhance public safety and increase transparency.
2. Obtaining one new police vehicle which will increase efficiency and safety.
3. Increasing pay rates, per a pay study, in order to achieve greater rates of recruitment and retention, from a greater pool of candidates.
4. Continue funding necessary training and purchasing equipment allowing officers to work more effectively.
5. Partnering with the Fire Department to begin design and build of a public safety facility.

Public Services (Public Works & Dam/Hydro)

1. Repairing sewer lines in order to bring 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. Relocating Public Works to accommodate the merging of the two departments, which will allow for better working conditions and opportunities to cross-train staff.
4. Increasing funds to pave town streets thereby improving deteriorating town streets much faster than before.
5. Automating the hydropower plant and tainter gates to achieve more precise control of lake water levels and power generation.
6. Controlling cost of sludge management at the waste water treatment plant by repairing the digester and associated appurtenances.
7. Launching and operating a new Computerized Maintenance Management System (CMMS) software to increase efficiency and organization, allow for better documentation and records keeping, and give residents greater autonomy to report issues.
8. Execute the replacement of the dam boom.

Parks, Recreation & Lake

1. Keeping the town parks, trails, lake and green space maintained.
2. Performing necessary hydraulic and mechanical dredging to dredge more and faster.
3. Performing necessary project management.
4. Operating a new and improved boat permitting database.

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Community Development

1. Coordinating the installation of a telecommunication tower to bring excellent cell phone coverage to the Lake Lure Center and beyond.
2. Continuing to execute the boathouse inspection program to ensure boathouses are safe on the lake.
3. Hiring a Project Manager to oversee various operations in regard to the Town's unique infrastructure projects (i.e. sewer replacement and dam replacement).

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	\$4,536,474
State Shared Revenues & Grants	\$2,850,050
Land Use Fees	\$62,804
Cultural and Recreation	\$1,252,800
Miscellaneous Revenues	\$176,992
Transfer from Capital Reserve	\$450,000
Installment Agreement Proceeds	\$57,000
TOTAL GENERAL	\$9,928,110

II. WATER/SEWER FUND	
Water and Sewer	\$1,650,360
TOTAL WATER/SEWER	\$1,650,360
III. ELECTRIC FUND	
Electric Receipts	\$400,150
TOTAL ELECTRIC	\$400,150
TOTAL REVENUES – all funds (memo only)	<u>\$11,978,620</u>

EXPENDITURES

I. GENERAL FUND	
<u>Operations</u>	
Public Safety	
Police	\$994,248
Fire Department	\$892,371
Administration, Finance & Technology	
Administration	\$1,030,771
Central Services - Technology	\$114,120
Governing Board	\$35,050
Public Works & Maintenance	
Public Works	\$804,193
Sanitation	\$229,400
Recreation	
Parks, Recreation, & Lake	\$664,200
Beach & Marina	\$17,500
Community Enhancement	
Community Development	\$471,168
Economic Development	\$107,600
Dam/Watershed Protection	\$23,000
Non-Governmental	\$172,500
<u>Capital Outlay and Debt Service</u>	
Capital Outlay & Projects	\$2,359,064

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Transfer to Dam Capital Reserve Fund	\$1,600,000
Debt Service (all general fund depts.)	\$412,925

TOTAL GENERAL **\$9,928,110**

II. WATER/SEWER FUND

Sewer Operations	\$576,800
Water Operations	\$124,500
Capital Outlay	\$458,500
Debt Service	\$124,105
Transfer to Equity	\$365,455

TOTAL WATER/SEWER **\$1,650,360**

III. ELECTRIC FUND

Operations	\$281,963
Capital Outlay	\$118,187

TOTAL ELECTRIC **\$400,325**

TOTAL EXPENDITURES – all funds (memo only) **\$11,978,620**

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, 2021</u> ¹	<u>June 30, 2022</u> ²
General Fund ³	\$4,091,618	\$4,197,890
Water/Sewer Fund ⁴	\$462,005	\$671,000

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Electric Fund ⁴	237,395	(\$237,000)
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Reserve Funds

Bridge Preservation Fund ⁵	\$75,000	\$75,000
Silt Removal Fund	\$64,265	\$64,265
Capital Reserve Fund	\$651,740	\$18,751,740

- Notes:**
- 1 - From Audit Report for FY 20-21
 - 2 - Estimates provided by finance director
 - 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
2021/22	\$4,429,792	(0.53 rate)	\$4,336,555

Projected

2022/23	\$4,536,474	(\$0.53 rate)	\$5,391,636
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Composition of the Local Tax Rate:

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

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+ Rutherford County 59.7 cents (FY 2022/23 proposed rate)

For the Lake Lure taxpayer, about 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.

The Town is not proposing a change to the tax rate. Thus, the follow tax rate factors are as stands: 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 \$4,536,474 in tax revenue on real, personal and utility property, assuming current collection rate. Real estate is valued at \$803,127,634 and motor vehicles are estimated to be \$18,289,339.

1. Fees and charges - All of the fees and charges for town services have been reviewed and the budget assumes no increases in boat permits (select commercial, resident annual motorized, non-resident annual motorized), no increase Community Development fees, and no increases in water and sewer fees. A new fee schedule will be brought to Council for approval at the July 12, 2022 regular Council meeting.
2. Dredging - The proposed budget includes \$1,000,000 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 by \$911.04 a year
 - b. Dental insurance costs decreased by 5%
 - c. Three full-time employees added – Parks and Rec Admin Assistance,
Code Enforcement/ GIS Specialist, Project Manager
 - d. Salaries for Specific Position increased – Public Safety Personnel
4. About 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:

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- 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 – Police Chief, officers, and the police administrative assistant strive to protect the Lake Lure area effectively and safely. The Department successfully does so by providing 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.
 - Fire - To provide fire protection, medical and rescue services throughout the town, we maintain the Lake Lure department and contract with 3 volunteer departments. This level of coverage affords an insurance rating that directly reduces the costs of homeowners' 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.
 - Administration - the following functions are provided by six 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.
 - Community Development – The Community Development Director and Environment and Development Review Specialist have been extraordinarily busy during the 2021-2022 Fiscal Year, as development has been increasing in Lake Lure. The Department will hire a Code Enforcement/GIS Specialist during FY 22-23 in order provide greater ability to follow up on projects, nonconformities, and other community development issues. In addition, a Project Manager will be included in the Community Development budget.
 - Grants/Appropriations - This budget has various different grants/appropriations programmed to help fund some of the capital projects. If the grants are not secured, the town will decide to proceed or not proceed with the project as necessary.
2. Water and Sewer Operations – These operations are tracked in their own enterprise fund. In the last few years we have stabilized these operations and continued a program of 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, as is maintaining the existing system until the new system is in place.
 3. Dam & Hydroelectric - Revenues in the Electric Fund are conservatively projected to be

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approximately \$400,325. Plant improvements continue to be 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 estimated to be executed in spring 2023. The design was largely funded by a FEMA grant. Reservoir drain (sewer access valve) construction (est. 2.5 million) will be funded by the Capital Reserve.

4. Parks, Rec & Lake - Cost increases are due to equipment needed, one additional position, additional dredging, and a new and improved boat permitting system. The department will also be taking on new responsibilities relative to grounds maintenance such as mowing of the greenspace.

5. Debt Service – the budget contains the following debt:

General Fund

- Vehicles
- Old Marina Renovation (last payment in November 2022)
- Fire Engine
- Boardwalk/Marina
- Equipment (barge, mini excavator, workboat)

Water and Sewer Fund

- SRL Fund Project
- Sewer Joint Wrapping Program

6. Salaries & Benefits: There is a 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, 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 21-23.

7. 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

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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.

8. 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:
 - beach and marina operation
 - engineering (Schnabel, LaBella, etc.)
 - legal
 - financial audit
 - lobbying (The Policy Group)
9. Insourcing – The Town is embarking on a plan to continuing insourcing operations where possible so that money can be saved, too.
10. 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 2022-2023 so that it can be finalized. Once finalized, staff will convert the budget message to an ordinance to prepare for adoption. I am also recommending that the public hearing for the **Budget for Fiscal Year 2022-2023** be rescheduled for June 15, 2022 at 5:00 pm. The budget will then be adopted thereafter at Town Council's pleasure.

cc: Town Council

Sam Karr, Finance Director
Stephen Ford, Assistant Finance Director
Department Heads