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THE VILLAGE OF SUGAR MOUNTAIN
251 Dick Trundy Lane
Sugar Mountain, NC 28604

Manager's Budget Message **Fiscal Year 2019-20**

May 29, 2019

The Honorable Dennis Lacey, Mayor
Members of the Village Council
Sugar Mountain, North Carolina

Pursuant to Section 159-11 of the North Carolina General Statutes, I am pleased to present the recommended Village of Sugar Mountain Budget for the fiscal year (FY) beginning July 1, 2019 and ending June 30, 2020 for your review and consideration.

The Village remains in a solid fiscal position, and this is an opportune time to proceed with the funding of several initiatives which will improve services to our residents, while maintaining our strong financial position.

FUNDS OF THE BUDGET

GENERAL FUND

General Fund Revenues

The General Fund is used to account for resources which are not required legally or by sound financial management to be accounted for in another fund. The FY 2019-20 proposed Budget, which is balanced with no fund balance appropriation, continues to deliver excellent residential services with no increase in the current tax rate of .42 per \$100 valuation. This rate will generate approximately \$1,286,866 in real, personal, motor vehicle, and related tax revenues with an anticipated collection rate of 98.5%. This represents approximately a 1.3% increase in real property values for the Village. The Village has historically achieved a high tax collection rate. The Village receives approximately 76% of general fund revenues from real, personal, and motor vehicle ad valorem tax.

In addition to the above tax revenues, the Village receives State Shared revenues, State road maintenance funds (Powell Bill), sales tax revenues, permit fee revenues, investment

returns, grant funding, ABC revenue, and contributions from the Tourism Development Authority totaling an estimated \$409,305.

The recommended budget appropriates no fund balance to balance the General Fund budget. The proposed General Fund Budget revenues for FY 2019-20 total \$1,696,171.

It is estimated the Village will have an unreserved General Fund balance (Village Savings Account) of \$1,073,784, on June 30, 2019 or 56% of the FY 2018-19 Budget estimated year end expenditures of \$1,919,908. The Village remains in a healthy financial position going forward.

General Fund Expenditures

The total General Fund expenditures are projected to be \$ 1,696,171 resulting in an approximate 13% decrease from the estimated FY 2018-19 year-end actual expenditures.

Salaries and Related Benefits:

The FY 2019-20 General Fund budget recommends funding 14.75 full-time employees, and .15 full time equivalents (FTE) reserve police officers.

Salaries and wages, including a cost of living raise (COLA), and benefits for the Village's proposed 14.9 FTE employees accounts for \$1,001,118 or 59.02% of the proposed General Fund budget.

The medical related benefits provided by the Village will continue to be administered by the North Carolina League of Municipalities in FY 2019-20, with a 15% increase in premiums from the FY 2018-19, in which there had been no increase for two years. Medical, dental, vision, life, and short term disability insurance are provided for all full time Village employees. The Workman's Compensation rates reflect no increase from FY 2018-19. The NC State Retirement system has approved a 1.2% increase to the employers contribution portion for the administration of the retirement system.

A 1.9% COLA allocation for all employee salaries is proposed in the FY 2019-20 Budget. The general employee benefit of an employer contribution to the employee's 401(k) fund remains in the FY 2019-20 Budget. The Village offers a matching contribution of up to 5% for full time general employees who have attained six months of employment with the Village and the employee participates in the 401(k) program. Under North Carolina General Statutes, the Village is required to fund all full time law enforcement personnel at 5% of the employee's salary; regardless of the employee contributions.

Operating Costs:

Operating costs for FY 2019-2020 are projected at \$689,783 or 40.67% of the total General Fund budget. These expenditures include all costs other than salaries, benefits and capital costs. Debt service costs on long-term financial obligations are included in operating costs. These operating costs also include improvements for Village streets, of which \$85,000 has been budgeted for significant resurfacing and repairs on Grouse Moor Drive.

Capital Expenditures:

Capital expenditures are the purchase of vehicles, equipment and other items that are considered not expendable at the time of purchase, have a value greater than \$5,000, and have a life expectancy of at least one year. The capital items in this years' budget include funds for road striping equipment (\$5,270) in the Public Works Department. Capital expenditures are projected at \$5,270 or .31% of the total General Fund budget.

ENTERPRISE FUND

Enterprise Fund Revenues

An Enterprise Fund is used to report activity for which a fee is charged to external users for goods or services. The Enterprise Fund in the Village is used to account for the Village's recreational activities of Golf and Tennis operations.

The Village receives revenues in the Enterprise Fund through the collection of fees charged for annual memberships, green fees and golf car fees for the Golf Course, season memberships, and court play fees for use of the Tennis Courts. The FY 2019-20 Budget projects revenues of \$340,000 in golf user fees and \$33,000 in tennis user fees. The Village receives approximately 72% of the enterprise fund revenues from golf and tennis user fees.

The Enterprise Fund also receives contributions from the Tourism Development Authority (TDA), Sugar Mountain Resort lease and reimbursements, park revenues and the sale of capital assets, totaling an estimated \$146,251.

The recommended budget appropriates \$33,632 in retained earnings (fund balance) to balance the Enterprise Fund budget. The proposed Enterprise Fund Budget revenues for FY 2019-20 total \$ 519,251, (\$552,883 less \$33,632 appropriated retained earnings); a 7% increase from projected FY 2018-19 year-end actual revenues.

Salaries and Related Benefits:

The FY 2019-20 Enterprise Fund budget recommends funding 2.25 full-time employees, and 2.75 full time equivalents (FTE) for golf and tennis operations.

Salaries and wages, including cost of living raises, and benefits for the Village's proposed 5.00 FTE employees accounts for \$262,467, or 47.5% of the proposed Enterprise Fund budget.

The FY 2019-20 budget continues to expand the Tennis Program at Sugar Mountain that began in FY 2018-19. The Village has retained a Tennis Professional that will conduct lessons, hold regular clinics and camps and direct two major tennis tournaments throughout the season. These salaries and benefit costs of the Tennis Professional will again this year be funded with a contribution from the TDA of \$10,765 or 4.1% of total salaries and benefits costs.

A 1.9% COLA for employees is proposed in the FY 2019-20 Enterprise Fund Budget. In addition, the full-time employees of the Enterprise fund will receive the same medical related benefits and 401(k) participation as the full-time General Fund employees.

Operating Costs:

Operating costs for FY 2019-2020 are projected at \$284,916 or 51.5% of the total Enterprise Fund budget. These expenditures include all costs other than salaries, benefits and capital costs. Debt service costs on long-term financial obligations are included in operating costs. Debt service payments this fiscal year will include lease-purchase payments on golf course mowers of \$38,760, the golf shop loan payment of \$44,731, and the lease-purchase of 55 EZ Go golf cars of \$39,053.

In addition, these operating costs include expenditures to host two (Adult and Junior) USTA sanctioned Tournaments in the upcoming year and improvements to the Tennis Courts. They also include funds for improvements to the Golf Pro Shop (exterior painting). These operating costs will be funded with a contribution from the TDA of \$95,090 or 33.5% of total operating costs.

Capital Expenditures:

The Capital expenditures for FY 2019-20 are projected at \$5,500 or 1% of the total Enterprise Fund budget. The capital items in this years' budget include funds for one Gator Utility Cart (\$5,500) for Golf Maintenance. This Capital expenditure is also funded with a contribution from the TDA.

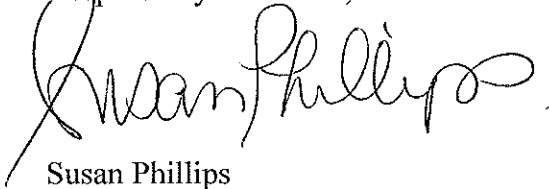
RECOMMENDED BALANCED BUDGET

As required by the North Carolina General Statutes the proposed Budget is balanced, with total revenues equal to total expenditures. I have presented a budget that recommends an ad valorem rate of \$0.42 per \$100 valuation for the General Fund.

The North Carolina General Statutes specify that the budget ordinance and tax rate be adopted by July 1, 2019. Also, General Statute 159-12 (b) requires the Village's governing body to hold a public hearing on the budget prior to adoption, which is scheduled for Tuesday, June 11th at 5:00 p.m.

I would like to thank Village Department Head's for their efforts in the development of the 2019-20 budget and look forward to our continued efforts in providing Sugar Mountain residents with a high quality of life.

Respectfully submitted,

A handwritten signature in cursive script that reads "Susan Phillips". The signature is written in black ink and is positioned above the printed name.

Susan Phillips
Village Manager