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

Manager's Budget Message Fiscal Year 2022-23

May 31, 2022

The Honorable Gunther Jochl, 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, 2022 and ending June 30, 2023 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 2022-23 proposed Budget continues to deliver excellent residential services with a decrease in the tax rate to .28 cents per \$100 valuation. This rate decrease follows the tax revaluation of 2021 in which the Village saw an approximate 61% increase in property valuation. The revenue neutral tax rate equates to .27 cents per \$100 valuation. The estimated valuation of \$493,768,005 at a tax rate of .28 cents will generate approximately \$1,418,464 in real, personal, motor vehicle, and related tax revenues with an anticipated collection rate of 99.35%. The Village has historically achieved a high tax collection rate. The Village receives approximately 56% of the 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 \$ 843,573.

The recommended budget appropriates \$ 294,334 in fund balance to balance the General Fund budget. The proposed General Fund Budget revenues for FY 2022-23 total \$2,556,371.

It is estimated the Village will have an unreserved General Fund balance (Village Savings Account) of \$1,308,223, on June 30, 2022 or 59% of the FY 2021-22 Budget estimated year end expenditures of \$2,221,241. The Village remains in a healthy financial position going forward.

General Fund Expenditures

The total General Fund expenditures are projected to be \$ 2,556,371 resulting in an approximate 15% increase from the estimated FY 2021-22 year-end actual expenditures.

Salaries and Related Benefits:

The FY 2022-23 General Fund budget recommends funding 16.75 full-time employees. There are no new staff positions proposed in this budget.

Salaries and wages, including a cost-of-living raise (COLA), and benefits for the Village's proposed 16.75 FTE employees accounts for \$1,335,343 or 52.24% of the proposed General Fund budget. The salary and benefit costs of the Tourism Development Authority (TDA) Coordinator will again this year be funded with a contribution from the TDA as well as the salary and benefit costs of a police officer. This contribution to salary costs and benefits will total \$90,000 or 6.74% of total salaries and benefits costs. The Village added an additional Police officer position in FY 2021-22 due to the sharp increase in tourism in the past two years.

The medical related benefits provided by the Village will continue to be administered by the North Carolina League of Municipalities in FY 2022-23, with a 3% increase in medical premiums and a 5% decrease in dental premiums from the FY 2021-22. Medical, dental, vision, life, and short-term disability insurances are provided for all full time Village employees. The NC State Retirement system has approved a .75% increase to the employer contribution portion for the administration of the retirement system.

An 8.0% COLA allocation for all employee salaries is proposed in the FY 2022 -23 Budget. The general employee benefit of an employer contribution to the employee's 401(k) fund remains in the FY 2022-23 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 2022-23 are projected at \$966,028 or 37.78% 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 \$385,705 has been budgeted for significant resurfacing, repairs and culvert replacement throughout the Village. These operating costs will be funded with a contribution from the TDA of \$155,000 or 16.05% of total operating costs.

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 extensive maintenance to our Public Works Building, construct an additional storage building for housing Village vehicles and pave the parking area of the Public Works building. Capital expenditures are projected at \$255,000 or 9.98% 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 cart fees for the Golf Course, season memberships, and court play fees for use of the Tennis Courts. The FY 2022-23 Budget projects revenues of \$475,000 in golf user fees and \$37,000 in tennis user fees. The Village receives approximately 79.8% 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 utility reimbursements, and park revenues, totaling an estimated \$129,410.

The recommended budget appropriates no retained earnings (fund balance) to balance the Enterprise Fund budget. The proposed Enterprise Fund Budget revenues for FY 2022-23 total \$ 641,410; a 12% decrease from projected FY 2021-22 year-end actual revenues.

Salaries and Related Benefits:

The FY 2022-23 Enterprise Fund budget recommends funding 2.25 full-time employees, and 3.75 full time equivalents (FTE) for golf and tennis operations.

Salaries and wages, including cost of living raises, and benefits for the Village's proposed 6.00 FTE employees accounts for \$319,023, or 49.74% of the proposed Enterprise Fund budget. The salary and benefit costs of the Tennis Professional will again this year be funded with a contribution from the TDA of \$17,225 or 5.4% of total salaries and benefits costs.

As in the General Fund, an 8.0% COLA for employees is proposed in the FY 2022-23 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 2022-23 are projected at \$244,184 or 38.07% 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 equipment of \$39,050, and the lease-purchase payments of golf carts of \$39,055.

In addition, these operating costs include \$41,453 to repair and resurface golf cart paths. They also include funds (\$15,000) for improvements to the Golf Pro Shop. These operating costs will be funded with a contribution from the TDA of \$36,750 or 15.05% of total operating costs.

Capital Expenditures:

Capital expenditures in the FY 2022-23 Enterprise Fund budget include clubhouse improvements, cart path resurfacing and a greens roller. These capital expenditures are projected at \$78,203 or 12.19% of the total Golf and Tennis Fund budget. The greens roller will be funded with a contribution from the TDA of \$21,750 or 27.8% of the total capital expenditures for FY 2022-23.

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 \$0.28 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, 2022. 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 14th at 5:00 p.m.

I would like to thank Village Department Head's for their efforts in the development of the 2022-23 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 and title.

Susan Phillips
Village Manager