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

Manager's Budget Message

Fiscal Year 2025-26

May 30, 2025

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, 2025, and ending June 30, 2026, for your review and consideration.

This has been quite a different year in the development of the budget. It has been eight months since Hurricane Helene and the Village continues the recovery process on several fronts. All temporary/emergency repairs have been completed, with much work still needed on roads and the golf course in the form of permanent repairs to completely recover from Helene. The Village remains in excellent financial condition, but several factors needed consideration regarding our situation with storm related expenditures and our normal operating expenditures in the FY 2025-26 Budget. With an estimated FY 2024-25 fund balance of \$1.8 million, Helene has caused over \$2.6 million in damage to Village infrastructure. While disaster reimbursement will cover most of the losses, several concerns remain at this time. The reimbursement process from FEMA is often delayed, which presents a cash flow issue when contractors expect payment and FEMA/State funds have not arrived. When the entire recovery process is completed, it is hoped that the 90% FEMA and 10% State reimbursement recovery formula will make the Village whole.

In addition, significant revenues will be lost due to the damage Helene caused to our Golf Course. At this time, we are not sure that the course can be opened as an 18 hole experience to the public for the 2025 season.

As a result of the above concerns, the FY 2025-26 General and Golf Fund budgets do not include any capital expenditures at this time. The Village will continue to strive to improve services to our residents, while maintaining our strong financial position in FY 2025-26.

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 fiscal management to be accounted for in another fund. The FY 2025-26 proposed Budget continues to deliver excellent residential services while maintaining the current tax rate of .28 cents per \$100 valuation. The estimated valuation of \$516,638,652 at a tax rate of .28 cents will generate approximately \$1,467,787 in real, personal, motor vehicle, and related tax revenues with an anticipated collection rate of 99.1%. The Village has historically achieved a high tax collection rate. The Village receives approximately 60% 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 \$1,014,795. The Village will also receive FEMA/State funding of approximately \$800,000.

The recommended budget appropriates no fund balance to balance the General Fund budget. The proposed General Fund Budget revenues for FY 2025-26 total \$3,282,572; \$2,482,572 general revenues, \$800,000 FEMA/State Helene funding.

It is estimated the Village will have an unreserved General Fund balance (Village Savings Account) of \$1,773,384 on June 30, 2025, or 56.9% of the FY 2024-25 Budget estimated year end expenditures of \$3,116,807; (\$2,540,085 general expenditures, \$576,722 Helene recovery expenditures). The Village remains in a healthy financial position going forward.

General Fund Expenditures

The total General Fund expenditures are projected to be \$ 3,282,572 (\$2,482,572 general fund expenditures; \$800,000 Helene recovery expenditures).

Salaries and Related Benefits:

The FY 2025-26 General Fund budget recommends funding 17.15 full-time employees. There is one new staff position (40% Public Works) proposed in this budget.

Salaries and wages, including a cost-of-living raise (COLA), and benefits for the Village's proposed 17.15 FTE employees account for \$1,511,736 or 60.89% of the proposed General Fund general operating 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 \$100,000 or 6.6% of total salaries and benefits costs.

The medical related benefits provided by the Village will be administered by the Hilb Group in FY 2025-26, with a 6.5% decrease in medical premiums from the FY 2024-25. Medical, dental, vision, life, and short-term disability insurances are provided for all full time Village employees. The Village will see a slight increase to the employer contribution portion for the administration of the State retirement system of .75% for general employees and a 1.04% increase for law enforcement employees.

A 3.0% COLA allocation for all employee salaries is proposed in the FY 2025 -26 Budget. The general employee benefit of an employer contribution to the employee's 401(k) fund remains in the FY 2025-26 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 2025-26 are projected at \$1,770,836 (\$970,836 general operating/\$800,000 Helene recovery expenses) or 39.11% of the total General Fund operating 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 \$317,100 has been budgeted for significant resurfacing, repairs, and culvert replacement throughout the Village. Additional road improvements will be made through the Helene recovery program (\$750,000). These operating costs will be funded with a contribution from the TDA of \$155,000 or 15.97% of total general 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 requested in this year's budget will not be funded at this time. It is hoped that a mid-year review will present a clearer financial picture as the Village moves forward with the recovery efforts from Helene and will be funded at that time. The capital expenditures requested were a Skid Steer Loader for the Public Works Department (\$105,000), and a Patrol Vehicle with related equipment (\$58,000).

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 season passes, green fees and golf cart fees for the Golf Course, season memberships, and court play fees for use of the Tennis Courts. The FY 2025-26 Budget projects revenues of \$335,500 in golf user fees and \$38,000 in tennis user fees. With the anticipated

significant loss in golf user fees this year, this revenue is projected at 54% less than budgeted in FY 2024-25.

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 \$151,410.

The recommended budget appropriates \$145,749 in retained earnings (fund balance) to balance the Enterprise Fund budget. The proposed Enterprise Fund Budget revenues for FY 2025-26 total \$ 1,420,659; (\$670,659 general revenues, \$750,000 FEMA/State Helene funding).

Salaries and Related Benefits:

The FY 2025-26 Enterprise Fund budget recommends funding 2.85 full-time employees, and 3.50 full-time equivalents (FTE) for golf and tennis operations. There is one new staff position (60% Golf Maintenance) proposed in this budget.

Salaries and wages, including cost of living raises, and benefits for the Village's proposed 6.35 FTE employees account for \$359,368, or 53.58% of the proposed Enterprise Fund general operating budget. The salary and benefit costs of the Tennis Professional will again this year be funded with a contribution from the TDA of \$21,260 or 5.9% of total salaries and benefits costs.

As in the General Fund, a 3.0% COLA for employees is proposed in the FY 2025-26 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 2025-26 are projected at \$1,061,291 (\$311,291 general operating/\$750,000 Helene recovery expenses) or 46.42% of the total Enterprise Fund general operating 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 \$26,841 and the lease-purchase payments of golf carts of \$62,102.

In addition, these operating costs include \$5,000 to repair and resurface golf cart paths. They also include funds (\$30,000) for improvements to the Golf Pro Shop. These operating costs will be funded with a contribution from the TDA of \$89,000 or 13.27% of total general operating costs.

Capital Expenditures:

As in the General Fund, Capital expenditures are the purchase of vehicles, equipment and other items that are considered not expendable at the time of purchase. The requested capital items in this year's budget will not be funded at this time. The capital expenditures

requested were a Golf Maintenance Utility Vehicle (\$55,000) and a Golf Course equipment; top dresser (\$50,000).

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, 2025. 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 17th at 4:00 p.m.

I would like to thank Village Department Heads for their efforts in the development of the 2025-26 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, appearing to read "Susan Phillips", written in dark ink.

Susan Phillips
Village Manager