

TOWN OF MARS HILL

FY 2021 – 2022

BUDGET MESSAGE



May 25, 2021

Nathan R. Bennett
Town Manager

TOWN OF MARS HILL BUDGET MESSAGE

FISCAL YEAR 2021-2022

*To the Town of Mars Hill Mayor and Board of Aldermen
and Citizens of the Town of Mars Hill:*

In accordance with North Carolina General Statute 159-11, the Town of Mars Hill Fiscal Year 2021-2022 proposed budget is respectfully submitted for your review and consideration. The proposed budget sets forth a plan of operations for all Town departments, programs, and initiatives for the coming year. This proposed budget is balanced in accordance with the Local Government Budget and Fiscal Control Act with General Fund revenues and expenditures each totaling \$2,167,300. The Water and Sewer Fund is balanced with revenues and expenditures each totaling \$1,046,700.

INTRODUCTION

This budget message will introduce the Town of Mars Hill Fiscal Year 2021-2022 proposed budget. The budgeting process begins in early spring with management requesting proposed appropriation use plans from departments, agencies and other Town-supported entities. Management takes those requests and develops a balanced budget in line with expected revenue from numerous sources. This document will provide a summary of how the Town plans to utilize its fiscal resources and will highlight significant impacts to the Town's budget. I am pleased to present this budget that provides the tools and resources necessary for an effective and efficient government for the Citizens of the Town of Mars Hill.

REVENUES

It is the priority of elected officials and management to operate Town government in a professional, efficient, business-like manner. This budget provides a priority spending plan that attempts to minimize the tax burden on the Town taxpayer. The Town's primary general fund sources of revenue are property, sales and utility franchise taxes. Due to the worldwide coronavirus COVID-19 pandemic, the national and local economies entered a period of recession that has contributed significantly to a decrease in several revenue sources, particularly those associated with interest and investment earnings from reserve accounts. Surprisingly, despite economist projections to the contrary one year ago, sales and property tax revenue were generally not negatively affected as predicted. However, with stay-at-home public health orders and other general concerns associated with virus, revenue from water and sewer services did experience a significant reduction in collections. This was due to a number of the larger consumers of water, such as Mars Hill University, simply not consuming the normal volume due to their closure or minimal operations during the year. Currently, the economy for the country and our local community are in the midst of recovery with the steady re-opening of public and private entities with new confidence that the worst of the pandemic may be over with the prolific availability of an effective vaccine and infection numbers at their lowest point in over a year. We all yearn for the return of a sense of normalcy and vibrant economic conditions.

Regarding property taxes for Fiscal Year 2021-2022, management recommends no change to the current property tax rate at this time. The property tax rate is recommended to be maintained at the current rate of \$0.47 (forty-seven) cents per \$100 (one-hundred dollars) of valuation. This rate is based on the expected valuation of the

property tax base of \$144,904,897 as provided by the Madison County Tax Department. With a collection rate of 95%, it is expected this rate will provide the general fund an estimated total property tax revenue of \$647,000. Ultimately, property tax combined with other general fund sources, including specific function revenue sources such as the Madison County fire tax levy for the Mars Hill Fire District and state Powell Bill funds for street maintenance, are anticipated to total \$2,167,300.

The water and sewer fund is an enterprise function which is required by the State of North Carolina to be supported only by the revenue generated from the service provided. In keeping with established Town policy, management recommends a 2.5% increase to water and sewer usage fees. This increase is necessary to keep the water and sewer fund solvent while providing safe drinking water, processing wastewater, and making necessary capital improvements to the water and sewer system. As stated previously, water user fees have been drastically impacted in the current fiscal year due to COVID-19 effects that caused the closure, and then reduced operation schedule, of Mars Hill University and Mars Hill Elementary School, both significant water users. The Town lost thousands of dollars in expected revenue due to the closure of these facilities to comply with COVID-19 public health directives. However, operations are returning to pre-pandemic levels and as we enter late summer and into the fall water consumption will be back to normal. Town staff will monitor this situation as customer operations return to the expected usage and will be prepared to make corrective recommendations as appropriate. The Water and Sewer Fund anticipates total revenue from customer charges, fees, and miscellaneous sources totaling \$1,046,700.

EXPENDITURES AND INITIATIVES

The Town of Mars Hill is dedicated to sound fiscal management, capital planning and responsible day-to-day operations. Accurate budget projections and a disciplined approach to budget administration have allowed the Town to successfully maintain essential public services, enhance public safety, make strategic investments to support community and economic development while maintaining financial stability. This budget is a comprehensive document that addresses the fiscal needs of some 12 departments and affiliated agencies. Normally, the intention of this section is to highlight some of the larger appropriations for departments and key initiatives included budget. In this era of economic uncertainty due to the continued effects of the COVID-19 pandemic, management recommends limited new capital investments but concentrating financial resources on necessary public safety enhancements and completion of in-progress initiatives.

1. ***Fire Department:*** The Mars Hill Fire Department is a Town department that also serves county residents in the surrounding Mars Hill Fire District. The Department has a small full and part-time paid staff with nearly 30 volunteers. It is vital that the Department has the equipment and resources needed to respond to any emergency whether it be a manmade or natural disaster. There is funding in this budget for increased personnel costs, including health insurance and retirement contributions mandated by the Local Government Retirement System. There is also funding recommended for capital equipment as need may warrant. The complete fire department budget is recommended for an appropriation of \$550,000.

2. ***Police Department:*** The Town is committed to providing our citizens and visitors with a professional police force to ensure the safety and security of our community. Mars Hill is fortunate to have a very low crime rate, but this positive statistic is due in large part to the great community policing activities provided by our police officers. An additional full-time officer position was added in the FY 20-21 budget and that position was filled and has been beneficial in providing enhanced coverage throughout the Town. Continued costs associated with implementation of the new position, accompanied by increased personnel costs for health insurance, retirement contributions, and supplemental retirement expenses, result in modest increase to the proposed budget for the department. The complete police department budget is recommended for an appropriation of \$506,700.

3. **Water and Sewer System:** The Town received nearly \$1 million in federal and state grant funds to install a sewer pump station at I-26 Exit 11 and to make other repairs to the wastewater treatment plant in January 2019. In March 2021, this project was completed with the renovation and other improvements to the wastewater pump station at Carl Eller Road north of I-26. This work was funded by grant funds from the US Economic Development Administration, Golden LEAF Foundation and local capital improvement funding from the Town. In addition to this project, the Town completed construction of the North Main Street waterline improvement project in the fall of 2020. COVID-19 has impacted water fund revenues due to limitations of operations by Mars Hill University and public schools, both significant water system customers. This proposed budget contemplates a continuation of reduced water consumption by large uses and therefore reducing the revenue stream for operational expense. The proposed budget makes allocations for necessary improvements and replacement of certain water lines and meters to improve efficiencies system-wide as appropriate within the funds available.

4. **Employee Compensation:** Town employees work hard to provide a safe, secure, healthy and prosperous community. To keep good employees in all sectors of Town employment, compensation commensurate with the knowledge and skills in consideration of the current labor market and economic circumstances is a necessary. This budget recommends an across-the-board pay increase of \$1,500 for all permanent full-time employees and \$800 pro-rated for part-time employees. In addition to compensation, the N.C. Local Government Retirement System has increased the employer (Town) contribution rate an additional 1.10% for all general employees and 1.20% for law enforcement officers who are members of the system requiring a significant additional contribution from the Town. The N.C. State Health Plan has not released rates for the next enrollment period effective January 1, 2022, however, an anticipated increase of 3% in those rates has been included in this budget. Any other increases will be considered through the budget amendment process.

BUDGET SUMMARY

The leadership of the Mayor and Board of Aldermen together with the diligent work of Town employees, has resulted in a financially stable, effective and efficient Town government. This has allowed the Town of Mars Hill to undertake a number of capital projects for the long-term improvement of our community while at the same time providing excellent day-to-day services our citizens deserve. The goal of this proposed budget is to provide the financial resources to continue the good work that all departments, agencies, and community partners do to move the Town of Mars Hill forward.

Respectfully submitted this 25th day of May 2021.



NATHAN R. BENNETT,
Town Manager