

TOWN OF MARS HILL

FY 2022 – 2023

BUDGET MESSAGE



June 6, 2022

**Nathan R. Bennett
Town Manager**

TOWN OF MARS HILL BUDGET MESSAGE

FISCAL YEAR 2022-2023

*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 2022-2023 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 \$2,744,497. The Water and Sewer Fund is balanced with revenues and expenditures each totaling \$1,164,300.

INTRODUCTION

This budget message will introduce the Town of Mars Hill Fiscal Year 2022-2023 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. Over the past two years, the Town has managed to provide all services and operations uninterrupted by the COVID-19 pandemic. Town revenue was impacted by the long-term closures of significant water consumers such as Mars Hill University and Mars Hill Elementary School. Those entities have returned to normal operations and likewise those revenue trends have also returned to pre-COVID levels over the current fiscal year. Surprisingly, despite economist projections to the contrary at the onset of the pandemic, sales and property tax revenue were not negatively affected as predicted, and in fact sales taxes have seen significant growth over the past two years. It does, however, remain to be seen if this is a permanent situation. Currently, the economy for the country and our local community is suffering from unprecedented inflation and sky-rocketing gas prices. Those conditions are reflected in this budget in terms of increased material and fuel costs, and we forecast this condition to last well into calendar year 2023. The bright news is the country and local area are in the midst of recovery, both in terms of the COVID-19 illness and economically despite the issue with inflation, with new confidence that the worst of the pandemic may be over. Wages are increasing in both the private and public sectors with a plentiful job market.

Regarding property taxes for Fiscal Year 2022-2023, 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 6% increase factor as the County has not yet provided the final valuation for FY 2023. With a collection rate of 95%, it is expected this rate will provide the general fund an estimated total property tax revenue of \$685,820. 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 \$2,744,497.

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 returned to pre-COVID-19 level and taken together with increased residential development, the system is financially strong. Town staff will continue to analyze operations for 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 \$1,164,300.

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. 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 important water and wastewater infrastructure 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 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 N.C. State Health Plan and Local Government Retirement System respectively, for the current five (5) full-time employees. In addition, due to increased call volumes throughout the town and district with a high percentage of overlapping calls – that is, more than one call occurring simultaneously – this proposed budget includes funding for employment of an additional three (3) full-time firefighters/EMTs and the associated personnel costs for onboarding. There is also funding recommended for capital equipment as needs may warrant. The total fire department budget is recommended for an appropriation of \$747,563 utilizing the revenue from the fire tax district and additional town funds.

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 a modest increase to the proposed budget for the department. As part of the ongoing restructuring of police department personnel, funding is included to convert police command staff to salaried positions from the current hourly rate arrangement. This transition will accomplish several goals including: allowing an officer to serve in a detective role, allow scheduling of a “mid-shift” providing two patrol officers during the high call volume period, and, ultimately, reduce overtime costs. Additional funds are included for the acquisition of a replacement patrol vehicle using funds originally budgeted in the current year but unspent, together with additional appropriations in this proposed budget. There are also funds provided for other needed equipment upgrades and training. The total police department budget is recommended for an appropriation of \$620,200.

3. **Water and Sewer System:** The Town recently received approximately \$350,000 in federal Appalachian Regional Commission funds and an additional \$350,000 matching grant from the Dogwood Health Trust to install 1,200 LF of new sewer line and 2,200 LF of new water line from the new sewer pump station at I-26 Exit 11 southward along Calvin Edney Road to assist in future economic development. In addition, the Town will receive American Recue Plan Act funds, of which approximately \$350,000 will be used to replace an aging sewer pump station and rehabilitate an associated second station serving the Woodhaven/South Main Street service area. This project is currently in the design phase and is expected to proceed to bid in August 2022, with construction to begin as soon as possible thereafter. Another project includes the maintenance and rehabilitation of water tanks at the Town’s water treatment plant. This project is approximately \$40,000 and will be completed in late 2022. This proposed budget recognizes a return of normal water consumption by large uses as well as continued residential development projects. 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 as well as the purchase of mowing equipment to maintain the water treatment plant grounds.
4. **Bailey Mountain Preserve and Park.** In the Fall of 2021, the Town received a N.C. Parks and Recreation Trust Fund grant award for \$268,536. This grant, together with additional local funds and other grant funds, will be used to provide a number of recreational amenities at the park located on Forest Street, which serves as the public gateway entrance to the iconic Bailey Mountain and a host of hiking trails both on Town property and the adjoining Bailey Preserve owned by the Richard L. Hoffman Foundation. The first phase of construction will provide restroom facilities, parking enhancements, accessible walking trails, mountainous hiking trails, picnic shelters, a nature/discovery center, amphitheater, and improvements to the barns located on the property for use as meeting and event spaces. This project is nearing completion of the park master planning stage, with construction documents and bidding to proceed in early August 2022. This budget includes funds to begin the project and move forward with planning, permitting, and construction.
5. **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, particularly in the current highly competitive job market, compensation commensurate with the knowledge and skills in consideration of the current labor market and economic circumstances is necessary. This budget recommends an across-the-board pay increase of \$2.00 per hour for all permanent full-time and part-time employees. This payrate increase brings all staff at or above \$17.00 per hour and represents an average overall pay increase of 9.25%. In addition to compensation, the N.C. Local Government Retirement System has increased the employer (Town) contribution rate an additional 0.75% (to 12.1%) for all general employees and 1.0% (to 13.1%) 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,

2023, however, an anticipated increase of 5% 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 excellent work that all departments, agencies, and community partners do to move the Town of Mars Hill forward.

Respectfully submitted this 6th day of June 2022.

A handwritten signature in black ink, appearing to read "Nathan R. Bennett", with a stylized flourish at the end.

NATHAN R. BENNETT,
Town Manager