



TOWN OF LEWISVILLE

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June 11, 2020

To: Mayor Mike Horn
Mayor Pro Tempore Jeanne Marie Foster
Council Member Fred Franklin
Council Member Jane Welch
Council Member Melissa Hunt
Council Member Kenneth Sadler
Council Member David Smitherman

Subject: Fiscal Year 2020-2021 Budget Message

Honorable Mayor and Town Council:

Budget Message for Budget as Adopted

Executive Summary

As Town Manager, I am pleased to present the proposed General Fund budget of \$4,751,485 for fiscal year 2020-2021. The budget as proposed includes maintaining the current tax rate of 17.7 cents per \$100 of valuation. This budget shows an increase in the General Fund budget from the previous year budget, as adopted for July 1, 2019, of \$95,160 or 2.04%. This budget as proposed is balanced with \$230,510 in fund balance from the General Fund. This fund balance appropriation represents the costs associated with projects that are not recurring operational costs.

The tax base for the Town, as of April 1, 2020 was \$1,426,177,776 producing estimated Ad Valorem tax revenue of \$2,448,605 with one cent of the tax rate equaling approximately \$138,339.

The Town of Lewisville also collects a levy for a municipal service district. The current tax rate is 5 cents per \$100 of valuation. The proposed tax rate for the municipal service district for fiscal year 2020-2021 is unchanged at 5 cents per \$100 valuation.

The Town Council has been diligent and used sound financial planning to continue its commitment to the citizens of Lewisville to provide the highest standard of services. They have done this while maintaining a level of fund balance to secure future funding opportunities. The available fund balance was \$6,306,112 as of June 30, 2019. This represents a fund balance at approximately 132.72% based on the projected upcoming fiscal year budget for 2020-2021. This measure is well within the guidelines established in the Comprehensive Financial Management Policy adopted by the Town Council.

The Economy

Our country is experiencing a time of unprecedented uncertainty, at least in recent memory. A virus known as COVID-19 has created a global pandemic event. This event has created a period of economic activity unlike any seen in recent decades. Conditions and predictions for the future are changing quickly. The rapidly changing nature of the pandemic and the economic impacts of the resulting public health challenges have left economists and businesses scrambling to predict what this means for the future.

In response to “combating” COVID-19, a number of emergency declarations, both at state and local levels have closed schools, closed businesses deemed non-essential and through statewide order, required most North Carolinians to “Stay at Home”. The state of the economy is obviously very much uncertain with a number of moving parts. All of the factors just mentioned have made predicting revenues for fiscal year 2020-2021 difficult and challenging, especially sales tax revenue, which is our Town’s second largest revenue source behind property tax.

Per the North Carolina League of Municipalities, there is growing consensus there will be a sharp economic decline in April through June of 2020. It is expected that this period of business closures and increased unemployment will be followed by a least one more quarter of negative growth. The longer “stay at home” orders stay in effect the more likely it becomes that the steepest period of economic decline could go beyond June. Unknowns include, whether consumer spending will quickly rebound once social distancing measures and other restrictions are eased or will unemployment caused by business closures cause consumers to hold back on spending for even longer. Only time will tell what impact this public health event will have on the long term economic future of the state and the nation.

In projecting revenues for the 2020-2021 budget, we have followed the guidance of the North Carolina League of Municipalities along with their researchers and economists. They have provided their most conservative projections for how our municipal revenues will emerge in the new fiscal year. As such, we are budgeting for significant declines in our sales tax revenue and investment earnings.

The anticipated decline in revenues is coupled with an increase in service costs for several of our service contracts that had to be renegotiated for this next fiscal year. Budgeting for the economic uncertainty of our municipal revenues coupled with increasing service costs has been a challenge. I would like to stress to Council that the revenue projection conversation this year will need to be an ongoing one as we see how the economy rebounds after the pandemic has ended. We have taken a conservative approach in putting together the budget for the next fiscal year. But only time will tell how the economy will be affected in the long term.

Town Services

The Town of Lewisville stays committed to the continuation of all of its existing services for the upcoming fiscal year to include, parks and recreation, finance, administration, planning and zoning, public works, residential garbage and recycling, storm water management, community policing, and beautification. All services are proposed to continue at current service delivery levels for the upcoming fiscal year.

Capital Reserve Funds

The Town has four capital reserve funds. Currently, annual appropriations to all these funds total \$405,000.

At the Town Council planning session, recently held on February 1, Council re-affirmed its desire to proactively support the development of the downtown area, and road and sidewalk improvements throughout the Town, as well as its desire to develop future capital facilities such as the new community center.

During fiscal year 2017-2018, the Town Council learned that the North Carolina Department of Transportation plans to assume financial responsibility for the remaining work to be done on the Great Wagon Road to include design, right-of-way acquisition, and construction. As construction of the Great Wagon Road progresses, we anticipate that the Town of Lewisville will participate financially with the NC Department of Transportation on enhancements such as sidewalks, trees, and streetlights as well as the design and installation of water and sewer infrastructure. The Town currently has \$933,686 saved in a capital reserve fund and \$734,227 available in the Great Wagon Road ROW/Construction Capital Projects Fund. Between the funds in the capital reserve fund and those in the capital project fund, the Town has \$1,667,913 to fund any future expenditures related to the Great Wagon Road. As mentioned earlier, budgeting for the 2020-2021 fiscal year has been made more difficult with uncertain revenue levels and rising service level costs. As such, the budget, as proposed, suspends its annual contribution to the Great Wagon Road ROW/Construction Capital Reserve Fund of \$115,000 during the 2020-2021 fiscal year. Doing so will allow the Town to maintain its current service levels in the new fiscal year in light of the uncertain revenue estimates.

The Town's Storm Water Capital Reserve Fund is fast approaching its designated goal. The capital reserve ordinance states that the Town will continue to transfer \$95,000 to the capital reserve until June 30, 2022 or until the capital reserve reaches a balance of \$560,000. Only \$25,825 is required to reach that goal. Thus, the budget, as proposed, reduces the contribution to the Storm Water Capital Reserve to \$25,825 in the 2020-2021 budget.

Funding for all of the capital reserves is proposed as follows:

Storm Water Capital Reserve	\$25,825
GWR ROW/Construction Capital Reserve	\$0
Sidewalks/Bike Paths/Greenways Capital Reserve	\$25,000
Municipal Buildings/Land Capital Reserve	<u>\$170,000</u>
Total	<u>\$220,825</u>

These contribution changes, have made it possible to propose this budget as balanced for fiscal year 2020-2021.

Capital Projects

The Capital Projects that remain in the budget during Fiscal Year 2020-2021 are as follows.

Active Projects

Great Wagon Road ROW/Construction
Gateway Project
Heritage Drive Regional Storm Water Pond #1
Community Center
Roundabout at Lewisville-Vienna Road and Robinhood Road

Non-Active Projects

JWP Maintenance Facility/Playground Expansion

Storm Water Project

In order to keep up with development in the downtown area, the Town decided to move forward with suggestions made in the 2006 Storm Water Study. Council authorized the Heritage Drive Regional Storm Water Pond #1 Capital Projects Fund. The project authorized is the purchase of land and/or easements, design and engineering, and construction of a BMP (Best Management Practice) wet pond for storm water treatment in the downtown area of the Town of Lewisville. The pond will be located just southwest of the intersection of Shallowford Road and Heritage Drive.

Community Center

In April, 2019 the Town Council authorized the Community Center Capital Projects Fund. The new community center will be financed using funds from the Town's Municipal Buildings/Land Capital Reserve Fund, installment financing, and transfers from the general fund as necessary. The Town has engaged an architect firm to design the community center. Early cost estimates have the total cost of the project ranging from \$5,048,000 to \$5,295,000. The Town plans to begin construction on the new community center in the upcoming fiscal year.

Transportation Projects

The Town will continue design work on the Gateway Project along with right-of-way and construction work in the coming fiscal year. This project is a roadway project to make improvements from the Highway 421 Interchange on Williams Road with improvements continuing on Williams Road between the interchange and the newly constructed roundabout at Shallowford Road and Williams Road. This is a project utilizing federal STP-DA funds. This project has an estimated cost of approximately \$1.5 million. The project will be paid for with 80% of the expected costs coming from federal aid with a 20% match from the Town. The Town's contribution is expected to be approximately \$298,936.

The Town has also been awarded funding for the construction of a single lane roundabout at Robinhood Road and Lewisville-Vienna Road. The project will include necessary sidewalk connections at the roundabout and streetscape, lighting, and landscaping. The project has an estimated cost of approximately \$1,270,000. The project will be paid for with 80% of the expected costs coming from federal aid with a 20% match from the Town. The Town's contribution is expected to be approximately \$254,000.

The Town has also been awarded funding for a CMAQ project to extend the sidewalk along Lewisville-Vienna Road from Riverwood Drive to Robinhood Road. The project will be paid for with 80% of the expected costs coming from federal aid with a 20% match from the Town. The total cost of the project is estimated at \$1,234,411 which includes the Town's participation of \$246,882.

Planning

In the 2017-2018 fiscal year, the Planning Board working with staff and the Town Council completed a planning process that has resulted in the presentation and acceptance by Council of the Northeast Area Plan. This plan has been years in development ahead of a new public middle school in the vicinity of the intersection of Lewisville-Vienna and Robinhood Road. This new school is anticipated to have a significant impact on the growth and development of the northeast area of the Town. This plan serves as a template or guide to help plan for and guide future developmental and transportation activities in this area.

Now, the Planning Board, the Parks, Recreation and Cultural Development Board, and staff desire to engage in work related to two core project areas. The first area would be the redrafting of the Town's Comprehensive Plan. The second area of work would be to reformat the Parks, Recreation and Cultural Development Master Plan.

The budget as proposed contains funding to facilitate this work.

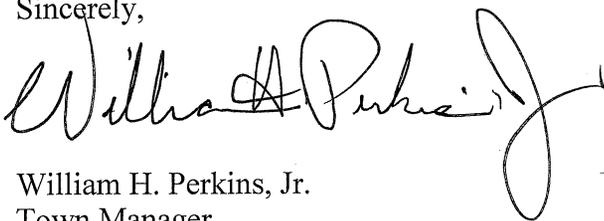
Conclusion

In conclusion, this budget reflects the desire of Council to address the needs of the Town, while being cognizant of economic conditions. Choices made in expenditures were done to meet the priorities and goals of the Council established during the year with the assistance of numerous advisory boards and committees. Over the past few weeks, the Council met to deliberate the proposal set forth, and made adjustments as needed.

I would like to thank the staff for their assistance with the development of this budget and the Town Council for their continued guidance and support.

If I may be of any assistance, please feel free to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "William H. Perkins, Jr.", with a large, stylized flourish at the end.

William H. Perkins, Jr.
Town Manager