



Madison County Administration

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To: Board of Commissioners

From: Forrest Gilliam, County Manager

Date: June 23, 2016

Re: FY 2016-2017 Budget

The proposed General Fund Fiscal Year 2016-2017 Budget of \$22,745,945 maintains the current tax rate while continuing efforts to honestly and conservatively project revenues. The proposal dramatically reduces the amount of money appropriated from Fund Balance, reversing a trend that started in FY 2014-2015 in which the county dipped into savings to balance the budget. Revenues are forecasted conservatively and cuts continue to be made in order to cover \$500,000 in increased recurring expenses that were approved two years ago. The budget utilizes additional sales tax revenues to significantly increase the county's support for economic development and education efforts. Department spending is generally held at the same level as the current year, however there are increases in the cost of insurance, retirement, and inflationary costs included in certain contracts.

Year	Budgeted Revenues	Budgeted Expenditures
FY 2015-2016 (proposed)	\$22,745,945	\$22,745,945
FY 2015-2016	\$22,218,191	\$22,218,191
FY 2014-2015	\$22,688,240	\$22,688,240
FY 2013-2014	\$21,295,140	\$21,295,140
FY 2012-2013	\$19,749,184	\$19,749,184

General Fund Revenues (Budgeted)

	FY 2014-2015	FY 2015-2016	FY 2016-2017
Current Year's Real Property Taxes	\$9,425,784	\$9,482,684	\$9,673,672
Current Year's Vehicle Taxes	\$571,844	\$769,000	\$894,000
Prior Year's Real Property Taxes	\$1,403,014	\$890,256	\$715,000
Interest and Late Listing Fees on Taxes	\$269,000	\$253,376	\$242,472
Other Tax Fees	\$4,380	\$10,630	\$2,300
Franchise Taxes	\$18,000	\$17,804	\$16,228
Local Option Sales Tax	\$2,181,552	\$2,358,243	\$3,122,336
Other Revenues	\$8,465,466	\$8,032,802	\$7,902,465
Interest on Banking Accounts	\$3,000	\$1,910	\$9,600

Transfer From Fund Balance	\$346,200	\$401,486	\$167,872
	\$22,688,240	\$22,218,191	\$22,745,945

Revenue Highlights

- The county began an effort in 2013 to dramatically improve the collection of property taxes, both for the current year and for property taxes owed for prior years.
 - The county's collection rate for Current Year's Property Taxes continues to increase, with budgeted revenues based on a 95% collection rate. The collection rate has risen significantly since FY 2011-2012, when the rate was 90.5%. The average for counties statewide in our population grouping (25,000 population and below) is 96.47%. This improvement in the collection of current year property taxes over the past four fiscal years has increased revenues by approximately \$500,000.
 - Projected revenue from prior years' property taxes is again reduced in an effort to reach a more realistic number after this revenue was dramatically increased in FY 2013-2014 and again in FY 2014-2015. There was a surge in the spring of 2013 in revenue from "back taxes" due to immediate progress with the county's effort to improve collection on outstanding accounts. The budget for FY 14-15 placed unrealistic expectations that even more money from prior years' taxes would be collected, in spite of the overall outstanding amount having been reduced due to the initial success the prior year. The county will continue efforts to pursue delinquent taxes from prior years, including initiating foreclosure proceedings when other options have been exhausted, but should not over-commit one-time revenues from prior years' taxes to recurring expenditures.
- The collection of vehicle taxes continues to increase, both as a result of an improving economy and the second full year of the state's Tag and Tax Together program which blocks vehicle registrations if taxes are not paid. The collection rate for vehicle taxes remains near 100%, and increased vehicle values has caused an increase in Madison County's projected vehicle tax revenue by \$125,000.
- Sales tax revenues continue to increase.
 - Statewide growth has slowed since last year. The majority of Madison County's sales tax revenue comes from the per-capita distribution method, in which sales tax proceeds from all 100 counties are collected in Raleigh before being distributed to all counties based on population. Growth in sales tax revenues from the per-capita method is projected to be 2.5%.
 - A smaller portion of the county's sales tax revenue comes from the point of sale method, meaning the money received comes from sales tax collected on sales that are made in the county. Sales tax revenues from the point of sale method are projected to increase 5%. While a smaller percentage of our overall sales tax proceeds, this increase is a positive sign of increased taxable retail sales within the county.
 - After intense debate regarding the redistribution of existing state sales tax revenues to allocate a larger portion to rural counties with a limited sales tax base, the General Assembly voted last year to implement a new sales tax on certain services. The proceeds from the new tax are distributed to the rural counties that would have benefitted from the original proposal to distribute a greater portion of existing revenues to rural areas. Madison County is projected

to receive \$676,000 from the new tax, which is collected from all counties and distributed on a per-capita basis. The funds must be used for education and economic development.

- Decreases in “Other Revenues” include:
 - A continued decline in the number of federal inmates being housed at the Jail (\$68,000). The decline is indicative of a national trend in sentencing of federal inmates, including shorter sentencing and a preference to house inmates closer to their family. A \$64,200 increase in the revenues from housing state inmates helps to offset the reduction in federal revenues.
 - Health Department revenues are down slightly (\$15,337).
 - The expiration of or scheduled reduction in funding of two grants (Rural Business Development Grant and HOME Grant) in the amount of \$37,500.
 - A \$15,000 reduction in the Home and Community Care Block Grant, which supports In Home Aides, Transportation, Senior Companions, Home Delivered Meals, and Congregate Nutrition.
- Increases in Other Revenues include:
 - \$30,704 in additional court facility fees, based on the trend for the current year.
 - \$25,000 in Building Inspection Fees as a result of increased building and permitting activity.
 - \$30,610 in Register of Deeds fees.
 - \$26,000 in additional Medicaid fees due to increased service by Madison County Transportation Authority for Non-Emergency Medical Transportation clients. The increased Medicaid fees will offset a \$26,000 expense in Transportation to provide an additional 38 hours per week of van service.
- The amount appropriated from Fund Balance is \$167,872, which is 58% lower than the current year.
 - Fund Balance is the county’s savings/rainy day fund. While it is often necessary to spend from Fund Balance for large or unexpected expenses, Fund Balance should not be used to cover recurring expenses, such as salaries.
 - The budget for FY 2014-2015 included approximately \$500,000 in increased recurring expenses (countywide salary increase, increase in school funding, additional positions at 911) that were not offset with reductions in other expenses. The budget was balanced by appropriating \$346,200 from Fund Balance as well as inflating projections from other revenues, such as delinquent taxes and Health Department fees.
 - The FY 2015-2016 budget reduced various expenses to help offset the \$500,000 in recurring expenses approved the prior year, and appropriated \$345,716 from Fund Balance for *one-time* expenditures, including the carrying forward of various grant funds. The FY 2015-2016 budget also included \$30,000 for one-year staffing needs to help with a backlog in the evidence room at the Sheriff’s Office and \$18,000 for a one year trial period for a Veterans Services Officer position.
 - Continued spending of Fund Balance to cover recurring expenses will slowly deplete the county’s rainy day fund.
 - \$100,000 is appropriated from Fund Balance for continued courthouse renovations.

General Fund Expenditures

	FY 2014-2015	FY 2015-2016	FY 2016-2017
General Government	\$2,303,513	\$2,346,131	\$2,343,337
Public Safety	\$5,028,093	\$5,251,846	\$5,075,612
Transportation	\$596,168	\$504,884	\$627,921
Health and Human Services	\$3,658,533	\$3,270,735	\$3,115,323
Community Services	\$809,358	\$821,615	\$679,417
Social Services	\$5,489,052	\$5,385,674	\$5,429,140
Economic/Physical Development	\$491,519	\$493,245	\$770,392
Education	\$2,608,060	\$2,703,060	\$2,893,240
Culture and Recreation	\$665,296	\$596,080	\$602,090
Contingency	\$50,000	\$75,665	\$45,000
Debt Service	\$672,990	\$533,333	\$963,000
Debt Service Interest	\$265,658	\$216,640	\$201,536
Transfer to Revaluation Fund	\$50,000	\$19,948	\$0
	\$22,688,240	\$22,218,191	\$22,745,945

Expenditure Highlights

All County departments submitted budgets that either hold spending to current year levels or reduce spending. Any requests for expansion items were submitted separately from the initial budget requests, and such expansion items were considered by the Board of Commissioners during a series of work sessions.

- The budget includes \$102,000 for increases in various insurance premiums (Health, Worker's Comp, Property and Liability) as well as an increased retirement contribution mandated by the state.
- Funds for a countywide Human Resources Officer are included (\$66,246 salary and benefits). The position will ensure compliance with state and federal regulations and work to develop a countywide HR management system, including pay scales and a potential performance appraisal system.
- Board of Elections expenditures are down \$41,644 due to only one election being held in the next fiscal year, compared to three for the current year. Additional reductions may be possible if the State Board of Elections approves a pending request to maintain three early voting sites, rather than five.
- The Maintenance Department budget is reduced \$16,602 as a result of not filling a vacant work release inmate position.
- The Sheriff's Department budget is reduced by \$87,180 to account for two deputies who serve as school resource officers at Madison High and Madison Middle. The allocation for Public School Current Expenses is increased by the same amount.
- State mandated increases in Medical Examiners fees will cost the county \$21,028.
- As a result of funding cuts and a reallocation of funds among counties by NC State University, county funds for Cooperative Extension will increase \$19,472 to cover an increased county share for positions there. The county has been planning for the increase since late 2014, and eliminated 1.5 FTE positions from Cooperative Extension in the current year's budget in order to cover the increased share for agent positions.

- The proposed budget allocates \$26,000 from Medicaid service fees for Non-Emergency Medical Transportation to fund an additional 38 hours per week of van service at Madison County Transportation Authority. The additional Medicaid revenues will cover increased labor and fuel costs as a result of the service increase.
- Health Department expenses are down \$49,146 due to reductions in various expense line items as well as the elimination of one nurses position that became vacant earlier this fiscal year. The reduced Health Department budget includes \$30,142 in reallocated funds for contract help with well and septic permitting and restaurant and lodging expenses in Environmental Health.
- County funding for the Department of Social Services is reduced by \$5,000 due to the elimination of two positions within the department. The internal savings allowed for the creation of one new supervisory position and salary adjustments for departmental employees.
- The In Home Aides budget is reduced by \$60,786 due to the elimination of 2.5 In Home Aide positions. One position has been vacant since earlier this fiscal year and the remaining 1.5 are scheduled retirements in the coming months. State guidelines are requiring a reduction in the number of In Home Aide service hours assigned to each client. This reduction in hours shortens the waiting list for services.
- The Nutrition budget is reduced by \$62,271 due to the elimination of one van driver position that became vacant earlier this year and other expense reductions based on historic trends.
- Postage costs are reduced countywide by \$1,800 as a result of a decrease in postage rates.
- Salary adjustments are reserved for those positions that have significant discrepancies with similar positions with similar responsibility levels within the county as well comparisons to comparably sized counties. The budget also raises the county's minimum hourly pay rate to \$8.15 per hour. The new Human Resources Director will work to create a countywide salary schedule that will address any remaining discrepancies and allow for better planning for future countywide cost of living adjustments.
- \$45,000 is appropriated to Contingency to cover unanticipated needs that arise throughout the year.

Sales Tax/Rural Competitiveness Fund

As a result of the compromise on last year's proposed sales tax reallocation by the General Assembly, Madison County will receive an additional \$676,000 in revenues raised through a new sales tax levied by the state on certain services. These funds must be used for education and economic development purposes. The budget allocates the funds as follows:

- \$316,961 to Economic Development, including funds for the new county planner position which was created in December of 2015, 50% of the salary and benefits for the director of development services, funds for economic development related nonprofits, and expenses associated with marketing, branding, and economic development product development. \$80,000 is set aside for economic development grant matching.
- \$148,539 in continued funding for Public Schools Current Expense.
- An additional \$98,000 is reserved for public school efforts related to workforce and economic development.

- \$112,500 for maintenance and operating costs at the AB-Tech Madison Campus. This is a \$5,000 increase over the current year's allocation to AB-Tech.

Public Schools

- The proposed budget increases the county's allocation to Public Schools Current Expense by \$87,180 (\$2,490,740), as well as maintaining the current \$92,000 for B-K program expenses. The additional \$87,180 is to cover 80% of the salaries and benefits for two deputies who serve as School Resource Officers at Madison High and Madison Middle. The Sheriff's budget is reduced by the same amount.
- The state is projecting a decline in 64 students across the school system next year, resulting in some formula-based funding reductions from the state.
- The county has been asked by the Board of Education to help offset those reductions and keep the school system from having to send any employees home.
- Discussions regarding potential savings related to an Energy Savings loan payment being paid with county funds by the school system, as well as the possibility of using 40/42 sales tax funds to cover a portion of the payment on said debt are ongoing. Any savings on the debt payment or replacement of county funds with 40/42 fund would free up additional dollars to be used by the Board of Education for other Current Expense items.
- The budget also sets aside \$98,000 for public school expenses related to economic and workforce development.
- \$529,667 in 40/42 sales tax funds, restricted for public school building capital projects, is included in the budget.
 - \$429,667 will pay indebtedness on the Qualified School Construction Bond school construction program approved earlier this year.
 - \$100,000 is for general school system maintenance and small project needs.
 - Additional 40/42 funds will likely be allocated throughout the year.

Nonprofit Funding

The budget allocates \$61,650 to nonprofit organizations:

- Continues funding of \$850 per community club (\$6,800)
- Continues funding of \$2,400 for Community Club Association expenses (periodic meetings/meals of all community clubs.
- Continues funding of \$850 to Special Olympics.
- Increases Arts Council funding from \$10,000 to \$15,000, using economic development sales tax funds.
- Increases Fairgrounds funding from \$8,750 to \$10,000, using economic development sales tax funds.
- Maintains current appropriation to Pisgah Legal Services of \$3,000.
- Increases funding for My Sister's Place/Helpmate from \$10,000 to \$15,000.
- Maintains funding for United Way 211 of \$3,000. United Way matches an additional \$3,000.
- Increases the appropriation to the Community Housing Coalition of Madison County from \$500 to \$3,000. The county will continue to provide in-kind support as a HOME grant applicant.

- Restores a \$2,000 appropriation to WNC Communities, which has not been funded for several years.

Landfill Fund

The Landfill Fund is an enterprise fund that operates independently of the General Fund. While the General Fund is operated with revenues from property tax, sales tax, and other sources, the Landfill is funded by collections from the solid waste disposal card, commercial and residential tipping fees, sale of recyclables, and other sources.

- The proposed budget for the Landfill is \$1,847,310, \$433,905 lower than the current year's budget.
- \$299,000 of this reduction is due to an appropriation from Landfill Reserves in last year's budget for equipment replacement.
- The budget maintains the \$160 per household disposal card, which was reduced from \$180 in the current year's budget.
- The budget increases the tipping fee by \$3.00 per ton, for a total fee for construction and demolition debris of \$37 per ton and a total fee for commercial haulers of household garbage of \$47 per ton.
- \$16,160 is appropriated from fund balance/landfill reserves.
- Three vacant positions have been eliminated.
- Additional funds are allocated to purchase pants and steel-toed boots as part of landfill uniforms.
- Salary adjustments are made in order to bring all employees to at least \$8.15 per hour and reflect differing levels of responsibility among varying positions.
- \$30,000 is appropriated to contingency for unanticipated needs throughout the year.

Fire Tax

The attached list includes Fire Tax revenues for each department that has service territory in Madison County. The fire tax is assessed only to residents of that district and funds simply pass through the County. The Spring Creek Volunteer Fire Department has requested a \$.03 increase in the tax for their district. The budget reflects the current tax rate for each fire district, and the Board would need to vote on any proposed increases.