



Madison County Administration

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To: Board of Commissioners

From: Forrest Gilliam, County Manager

Date: June 1, 2017

Re: FY 2017-2018 Budget

The proposed General Fund Fiscal Year 2017-2018 Budget of \$24,278,949 continues efforts to exercise fiscal prudence: maintaining the current property tax rate that has been in place since 2012, reallocating existing funds to cover critical priorities, and setting aside funds for future emergencies and major projects. The proposed budget continues to increase funding for education, increases library hours, and provides additional staff time to address wait times for permitting. Funds are included to cover increased health insurance expenses and a cost of living increase for employees. The budget is a realistic estimate of expected revenues and expenditures for the coming year, with the lowest appropriation from Fund Balance (savings) and the highest appropriation to Contingency (emergency fund for the current year) since 2012.

Year	Budgeted Revenues	Budgeted Expenditures
FY 2017-2018 (Proposed)	\$24,278,959	\$24,278,959
FY 2016-2017	\$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

General Fund Revenues (Budgeted)

	FY 2014-2015	FY 2015-2016	FY 2016-2017	FY 2017-2018
Real Property Taxes (Current Year)	\$9,425,784	\$9,482,684	\$9,673,672	\$9,945,177
Current Year Vehicle Taxes	\$571,844	\$769,000	\$894,000	\$850,000
Real Property Taxes (Prior Years)	\$1,403,014	\$890,256	\$715,000	\$660,000
Interest and Late Listing Fees on Taxes	\$269,000	\$253,376	\$242,472	\$314,000
Other Tax Fees	\$4,380	\$10,630	\$2,300	\$1,200
Franchise Taxes	\$18,000	\$17,804	\$16,228	\$16,228

Local Option Sales Tax	\$2,181,552	\$2,358,243	\$3,122,336	\$3,499,800
Intergovernmental Revenues	\$6,900,000	\$6,517,478	\$6,367,812	\$7,359,051
Other Fees	\$812,615	\$843,766	\$940,716	\$967,002
Other Revenues	\$752,851	\$671,558	\$593,937	\$602,501
Interest on Banking Accounts	\$3,000	\$1,910	\$9,600	\$14,000
Transfer From Fund Balance	\$346,200	\$401,486	\$167,872	\$50,000
	\$22,688,240	\$22,218,191	\$22,745,945	\$24,278,959

Revenue Highlights

- Based on a 95.5% collection rate, current year property tax revenues are expected to be \$9,945,177, an increase of \$271,505 over the initially budgeted amount for FY 2016-2017.
 - The steady increase in the collection rate since 2013 has allowed revenues to grow without increasing the tax rate. The five percent increase in the collection rate since FY 2011-2012 accounts for \$520,960 in revenue for next year.
 - Continued improvement is needed in the collection rate for current year taxes, as the statewide average collection rate for counties with populations of 25,000 and below is 96.62%. It is anticipated that the implementation of new tax software that was purchased from this year's budget will improve efficiency in the Tax Office and help to increase the collection rate in future years.
- The projected revenue from property taxes owed from prior years is reduced by \$55,000 to \$660,000. Over projection of this revenue source in FY 2013-2014 and FY 2014-2015 led to an over-reliance on one-time revenues to cover recurring expenses and contributed to a year end budget shortfall in FY 2014-2105. The amount budgeted for next year is consistent with historic actual revenues. 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.
- Vehicle tax collections improved dramatically in the three years since the state implemented the Tag and Tax Together program which blocks vehicle registrations if taxes are not paid. The budget for vehicle tax revenues for next year is reduced by \$44,000 for total projected revenue of \$850,000. The number more closely reflects actual revenues for the current year as growth in vehicle tax collections has leveled off. The vehicle tax collection rate continues to exceed 99%, and next year's budgeted vehicle tax revenues are still \$281,000 higher than in FY 2013-2014.
- Sales tax revenues are projected to increase by a total of 11%, including a 3% (\$35,094) increase in Article 40 revenues that are collected on sales throughout the state and distributed on a per capita basis, a 5.6% (\$83,546) increase in Article 39 and Article 42 revenues that are collected on sales that take place within the county, and a 10.2% (\$69,000) increase from the tax on services implemented by the General Assembly in 2015, which must be spent on education and economic development expenditures.
- The budget includes a \$991,232 (16%) increase in Intergovernmental Revenues, which consist of payments from the state or federal government to cover or offset the cost of services provided at the county level. Major increases in this revenue category include:

- \$400,193 in revenues for Social Services, including state funds for administrative expenses, foster care, and adoption assistance.
- \$274,472 in Health Department revenues including state and federal grant funds and Medicaid receipts.
- \$118,187 in revenues from the housing of federal inmates at our jail.
- The amount appropriated from Fund Balance is \$50,000, which is 70% lower than the current year. This revenue is directly tied to the one-time expense of purchasing new voting machines.
 - 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.
 - A concerted effort has been made over the past two budget cycles to reduce the county's reliance on Fund Balance to cover recurring expenditures, a practice that began with the FY 2013-2014 budget and continued in FY 2014-2015.
 - Conservative estimation of revenues and expenses in the FY 2015-2016 budget led to a \$258,000 surplus at the end of the year that was added to the Fund Balance. With revenues exceeding projections and expenses coming in under projections it is anticipated that at least \$500,000 will be contributed to Fund Balance at the end of the current year (FY 2016-2017).

General Fund Expenditures

	FY 2014-2015	FY 2015-2016	FY 2016-2017	FY 2017-2018
General Government	\$2,303,513	\$2,346,131	\$2,343,337	\$2,418,182
Public Safety	\$5,028,093	\$5,251,846	\$5,075,612	\$5,286,325
Transportation	\$596,168	\$504,884	\$627,921	\$592,158
Health and Human Services	\$3,658,533	\$3,270,735	\$3,115,323	\$3,371,068
Community Services	\$809,358	\$821,615	\$679,417	\$679,022
Social Services	\$5,489,052	\$5,385,674	\$5,429,140	\$5,878,296
Economic/Physical Development	\$491,519	\$493,245	\$770,392	\$762,377
Education	\$2,608,060	\$2,703,060	\$2,893,240	\$3,300,620
Culture and Recreation	\$665,296	\$596,080	\$602,090	\$630,064
Contingency	\$50,000	\$75,665	\$45,000	\$161,415
Capital Outlay				\$50,000
Debt Service	\$672,990	\$533,333	\$963,000	\$963,000
Debt Service Interest	\$265,658	\$216,640	\$201,536	\$186,432
Transfer to Revaluation Fund	\$50,000	\$19,948	\$0	\$0
	\$22,688,240	\$22,218,191	\$22,745,945	\$24,278,959

Expenditure Highlights

Budgeted General Fund expenses are \$1,533,014 or 7% over the current year's budget. The increased expenditure of county tax revenues is approximately 3%, and the increased expenditure of funds from other sources, including payments from the state and federal

governments (Medicaid services at the Health Department, Foster Care services and Food Stamp and Medicaid benefits administration at Social Services) is approximately 13%.

Prioritizing Existing Funds

Every effort was made to realize efficiencies in order to best prioritize available funds. The below examples total \$390,000 in various reductions that allowed funds to be reprioritized.

- \$132,000 in combined department reductions identified through various means including office supply and contract reductions, position eliminations/combinations, and other methods.
- \$160,000 in savings will be realized due to lower Workers Comp and Property and Liability insurance services.
- A change in the provision of janitorial services will reduce expenses by \$20,000.
- \$48,000 in health insurance savings realized by increasing the deductible for the county and for employees.
- \$30,000 in salaries and benefits saved by replacing a full time position with contract positions in Inspections and Zoning.

Improved Services

The proposed budget focuses on addressing inflationary costs associated with existing services while avoiding major new programs or expansions. The budget includes funds to address increased demand for existing services as well as efforts to more conveniently serve the public. Funds are also included to match grant funding for educational and workforce development programs provided through the Library.

- Due to increased development and demand for Environmental Health Services such as well and septic permits and restaurant and lodging inspections, the budget increases a vacant part time Environmental Health position to full time at a cost of \$29,618 for salary and benefits. The additional position will address a backlog in restaurant and lodging inspections and reduce wait times for septic and well applications.
- Internal savings within the Library budget allow for an additional 16.5 operating hours among the three branches at a net cost increase of \$1,724. Additional Saturday and evening hours will better serve citizens of Madison County who are not able to access the Library during the work week.
- \$8,636 is included in the Library budget to continue the adult literacy program and the high school equivalency/GED training program for jail inmates. Both programs were started with grant funds in the current fiscal year. The county portion in the budget covers approximately half of the cost of the programs, with the other half being covered by grant funds.
- \$9,000 is included in the budget for the Madison County Transportation Authority to pay for backup van drivers for both the Transportation and Nutrition programs in order to maintain service when drivers are absent.

Capital Outlay and Facilities Maintenance

Two provisions are included in the budget to address deferred maintenance needs and improve long-term planning for larger capital construction projects and equipment purchases.

- \$50,000 is appropriated to a new Capital Reserve Fund to save for future capital outlay needs that will need to be addressed over the next five to seven years. The assignment of left-over funds from the current year as well as proceeds from the sale of certain properties will be added to the Capital Reserve Fund in order to plan for major expenses such as the renovation of the courthouse and administration buildings and other construction projects. Funds allocated to the Capital Reserve Fund can be reallocated by a future vote of the Board.
- \$48,400 is allocated for ongoing building maintenance and repairs for county facilities.

Contingency

- The budget appropriates \$161,415 to Contingency. \$100,000 is for unanticipated needs that may arise throughout the year. The Contingency line is an important safeguard in the budget that allows for unexpected necessary expenses to be covered without impacting the rest of the budget. This is the largest amount appropriated to Contingency since FY 2012-2013. The practice for the last two fiscal years, which will continue, is to add funds realized from departmental expense savings to Contingency in order to hold the savings for contribution to the Fund Balance/Rainy Day Fund at the end of the fiscal year.
- The remaining \$61,000 of the Contingency line is reserved for the replacement of voting machines.

Public Schools

- The proposed budget allows for an additional \$340,118 in public school operating expenses by allocating additional funds to Public Schools Current Expense and the B-K program and by allocating additional 40/42 funds to pay for energy debt payments that were previously paid from Current Expense funds.
 - The proposed budget increases the county's allocation to Public Schools Current Expense by \$63,380 over the FY 16-17 appropriation for a total Current Expense allocation of \$2,631,120.
 - Current Expense funding is used by the school system for salaries, utilities, supplies and equipment, and other operating expenses as determined by the Board of Education. The local funding supplements state and federal funds, which make up a majority of the school system's budget.
 - A portion of the Current Expense allocation comes from economic development sales tax funds to cover an instructional coach for the Golden LEAF 1:1 laptop initiative at Madison Middle and a ½ time mechatronics instructor at Madison High.
 - At the request of the Board of Education, the proposed budget allocates an additional \$10,000 for B-K program expenses, for a total of \$102,000.
 - The additional funding will bring the county's total increase in combined appropriation to Public Schools Current Expense and B-K expenses since FY 2012-2013 to \$404,078, or 18%.
 - The local appropriation per pupil, based on the school system's projected 2,277 student enrollment for the 2017-2018 school year, is estimated to be \$1,217. As a result of the county steadily increasing funding for public schools while

enrollment has declined, the per pupil expenditure has increased by \$343 (39%) over the past five years.

- \$884,667 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 in 2016.
 - \$100,000 is for general school system maintenance and small project needs.
 - \$355,000 to cover loan costs for energy efficiency construction improvements that were previously undertaken by the school system and paid from operating (current expense) dollars. The Board in September approved the appropriation of \$78,262 in order to cover a \$250 supplement for certified personnel and a \$150 supplement for classified personnel. The additional \$276,738 in 40/42 funds will free up the same amount of operational dollars for the school system to address salaries, positions, and other needs.

Social Services

A significant portion of the overall budget increase is due to increased Social Services expenses that are offset by additional state and federal funds. Overall intergovernmental revenues for Social Services are up \$457,214 over the current year while overall DSS related expenses are up \$450,216. There is a net reduction of \$6,998 in county funds going toward Social Services.

Changes to DSS budget categories:

- DSS Administration, which covers salaries and benefits and other operating expenses for the department, is increased by \$36,722. This includes funds for the \$500 per employee cost of living adjustment that is counted in the countywide total (see Employee Salaries and Benefits section).
- The budget for Foster Care payments is increased by \$407,000, with corresponding \$203,500 state revenue. The state covers 50% of foster care payment expenses. This expense is driven by the increase in the number of foster care cases in the county.
- The budget for Child Care Subsidy vouchers is increased by \$29,139, which is completely offset by revenues from the state.

Employee Salaries and Benefits

- The budget includes a \$156,000 increase in employee health insurance costs covered by the county. The total budget for health insurance in the General Fund and Landfill Fund is \$1,874,840.
 - The increase represents an additional \$710 per full time employee contribution from the county, bringing the total county contribution per employee to \$8,522.
 - Cost savings for the county's health insurance plan were realized by increasing the county's deductible for health claims coverage for each employee (amount in claims expenses the county is required to cover for a covered employee) from \$45,000 to \$55,000 and by increasing the employee deductible from \$300 to \$700, effective January 1, 2018.
 - Employees will continue to pay no portion of the premium for their health insurance.
- \$132,000 is included in the budget for a \$500 per full time employee cost of living adjustment. Part time employees will receive a pro-rated cost of living adjustment based

on the amount of time worked. An additional \$100,000 is budgeted for approved merit raises and to address pay scale inequities.

- The budget includes \$8,000 in additional employee training funds.
- \$30,000 is included in the Sheriff's Department budget to address overtime costs that have developed over a number of years. The funds will be used to reduce the overall comp time liability for the county, either through direct overtime payments, payment of a portion of large comp time balances, or the allowance for part time help to cover employees who are absent. Comp time is a challenge in the public safety sector because most shifts cannot go uncovered when there is an employee absence. The lack of part time help to cover those shifts leads to increased overtime and comp time for the employee who is covering for someone who is absent. The Sheriff has made a concerted effort over the past several years to reduce his comp time balance.

Other Budget Changes

- \$55,000 is included in the Tax Office budget for implementation of new tax software. \$50,000 will cover recurring licensing and maintenance expenses. \$5,000 will cover up-front computer equipment purchases. When fully deployed the new software will improve office productivity and should lead to additional increases in the property tax collection rate.
- The Board of Elections budget is increased by \$19,544 to cover an additional election during the fiscal year as well as increased training costs as new voting machines are deployed at all voting sites. An additional \$61,000 is included in the Contingency line for the purchase of voting machines.

Nonprofit Funding

The budget allocates \$66,840 to nonprofit organizations:

- Increases funding for My Sister's Place/Helpmate from \$15,000 to \$20,000.
- Increases the appropriation to the Community Housing Coalition of Madison County from \$3,000 to \$4,200. The county will continue to provide in-kind support as a HOME grant applicant.
- Funds Pisgah Legal Services at \$5,000.
- Continues funding of \$850 per community club (\$5,950 total)
- Continues funding of \$2,400 for Community Club Association expenses (periodic meetings/meals of all community clubs.
- Continues funding of \$850 to Special Olympics.
- Continues a \$15,000 allocation for the Madison County Arts Council, using economic development sales tax funds.
- Continues a \$10,000 allocation to the Madison County Fairgrounds, using economic development sales tax funds.
- Continues a \$2,000 appropriation to WNC Communities.
- Maintains funding for United Way 211 of \$3,000. United Way matches an additional \$3,000.

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 \$2,039,857.
- \$143,957 is appropriated from Landfill Reserves to cover equipment and vehicle replacement needs.
- The budget maintains the \$160 per household disposal card, which was reduced from \$180 in 2015.
- The budget maintains a \$37 per ton construction and demolition debris tipping fee and a \$47 per ton household garbage tipping fee for commercial haulers.
- The Landfill budget includes funds for a \$500 per employee cost of living adjustment. Part time employees will receive a pro-rated share of the increase.
- The budget also includes funds for additional health insurance expenses.
- \$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 \$.02 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.