

Alleghany County Board of Commissioners

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ALLEGHANY COUNTY County Manager's Fiscal Year 2016-2017 Budget Message

June 1, 2016

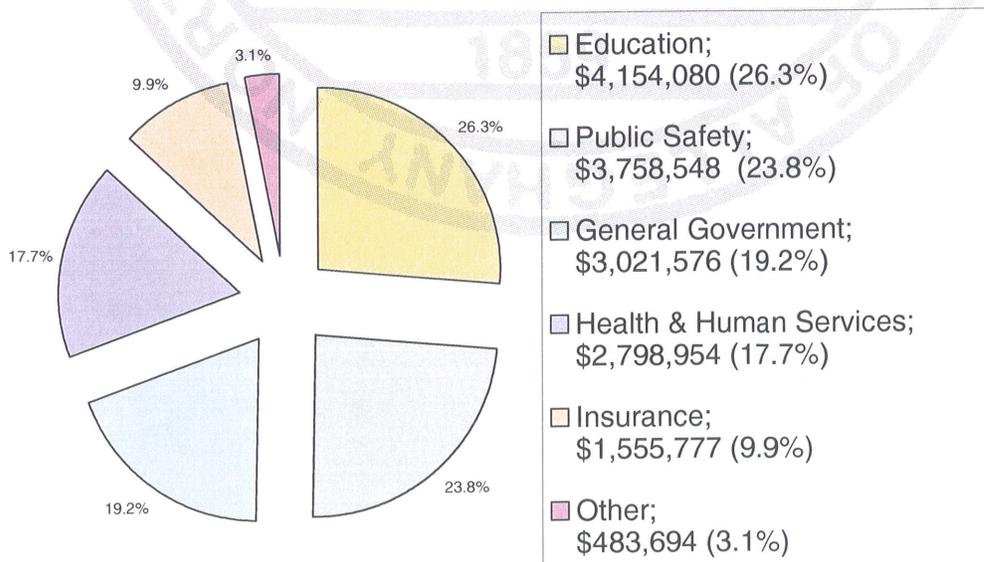
Alleghany County Commissioners,

The proposed Fiscal Year (FY) 2016-17 Annual Budget for Alleghany County is in the amount of \$15,772,629. This proposal constitutes an approximate increase of 3.24% (\$495,249) over the FY 15-16 amended budget. The budget is balanced and prepared in accordance with the Local Government Budget and Fiscal Control Act, presenting appropriations by categories of expense and revenues by source. All proposals within this document are based upon a budget maintaining the existing tax rate of \$0.5125 per \$100 of value.

EXPENDITURES HIGHLIGHTS

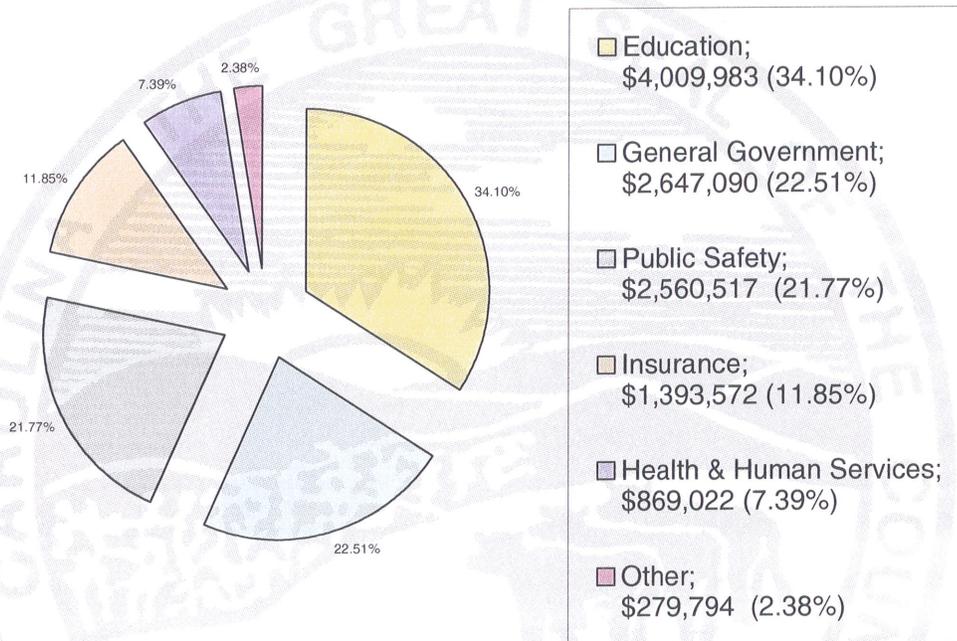
The following pie charts illustrate Alleghany County's proposed "Total Expenditures By Function" and "Property Tax, Sales Tax and Undesignated Revenues Expended By Function".

Total Expenditures By Function- \$15,772,629



Property Tax, Sales Tax, Undesignated Revenues Expended By Function -
\$11,759,978

The “Property Tax, Sales Tax, Undesignated Revenues Expended By Function” chart is derived from the “Total Expenditures By Function” chart by removing the grants, reimbursements and other revenues from the corresponding expenditures. This portrays an accurate example of where the County’s property tax, sales tax and undesignated revenue dollars are actually being expended.



CATEGORICAL OVERVIEW

PERSONNEL

The proposed FY 16-17 budget contains personnel recommendations. The recommendations include:

1. Classification and Pay Study. Year 1 Implementation
2. Creation of a Human Resources Officer Position
3. County Part-Time Pay Adjustments
4. Cooperative Extension Cost Share Adjustments & Part-Time Adjustments

In FY 2015-16, Allegheny County hired the MAPS Group to conduct a Classification and Pay Study. It has been recommended that the County adopt a revised salary and grade classification plan. It was also recommended that the County implement a policy that would give employees a pay increase of 1% per year of service in their position to help with compression issues.

Unfortunately these recommendations would be difficult to implement immediately. The MAPS Group proposed a 4-year implementation strategy. The 1st year of proposed implementation reduces the recommended grade plan by 11.3%. It also reduces the 1% per year of service down to ½%. The estimated additional cost to the County in full-time salaries is \$231,589 (this is for all employees across different funds). The actual additional cost to the County is \$269,374 when adding matching retirement and FICA expenses. It is recommended that Year 1 of the plan be implemented and is included in the budget proposal.

The MAPS Group highly recommends that organizations with 70 or more employees hire a human resources officer. This position is needed due to the increasing technical and legal nature of human resource administration. This position will help organize and manage areas such as drug and alcohol testing, new hire screening and health benefit programs. The MAPS Group recommends that the new human resources officer be hired at a grade 73 in the new plan. The existing assistant finance officer position has been reclassified as a payroll & accounting specialist at a proposed grade of 66. It is requested that these two functions be combined into a single position – Human Resources Officer / Payroll & Accounting Specialists. It is recommended that this position be classified at a grade 70. The estimated additional cost to the County is \$5,379 (\$4,680 in salary and \$699 in FICA/retirement). These costs are included in the above \$269,374.

The adoption of the revised salary and grade classification plan will also impact part-time salaries. The proposed plan recommends a hiring rate of 5% less than the minimum rate for full-time employees. Once a full-time employee advances out of their probationary period, their salary would increase by 5% to the minimum. The MAPS Group has recommended that part-time pay be set at the hiring rate (per hour equivalent). The County has part-time employees in recreation that do not have a full-time equivalent. It is recommended that the only change in these part-time rates be for lifeguards. Due to the difficulty in recruiting lifeguards, it is recommended that the lifeguard per hour rate be increased from \$7.25 to \$8.00. These recommendations have been included in the proposed budget.

The North Carolina Cooperative Extension Service (NC State University) has made some significant modifications in regards to cost sharing personnel with counties. The State's goal has been to cost share at a 50/50 rate with all counties across the state (excluding regionally shared positions). Alleghany County has been transitioning into this new model for the last several years. The proposed budget represents the last of these changes. The Director position and the Agriculture / Livestock Agent position will transition from a 40/60 split to a 50/50 split. It is also recommended that the 100% locally funded administrative secretary's hours be increased from 12 hours per week to 16 hours per week. The additional cost to the County will be \$20,224.

INSURANCE / RETIREMENT

Alleghany County participates in the NC Association of County Commissioners' Liability/Property and Workers' Compensation insurance pools. Health benefits have been contracted with the Municipal Insurance Trust. Alleghany County also carries insurance involving employee bonds, inmate hospitalization and unemployment. Alleghany County's overall FY 16-17 insurance is proposed to increase by \$39,707 or 2.62% over the FY 15-16 budget.

Alleghany County contracts with Mark III Employee Benefits consulting firm to broker the County's health insurance plan at a cost of \$15,000 per year. Mark III solicited bids from multiple health benefit companies. As a result of this process, Alleghany County chose to change health insurance carriers from Blue Cross Blue Shield to Municipal Insurance Trust. The new rate constitutes a 6.64% increase with no benefit changes.

The property/liability insurance has decreased by \$5,385 or 5.4%. The workers' compensation has increased by \$5,633 or 5.3%. The inmate liability insurance is projected to increase by \$500 or 5.56%. Employee bonds and unemployment insurance are projected to remain the same. \$5,000 is budgeted to continue with the employee wellness programs. The County contributes 7.25% to general employee retirement and 8% to law enforcement retirement.

CAPITAL & CAPITAL IMPROVEMENTS

There are capital and capital improvement needs that should be addressed in FY 16-17. The proposed capital and capital improvements are broken down into three categories: 1. Proposed loan to purchase capital. 2. Proposed general fund direct expense to purchase capital & capital improvements. 3. Proposed grants to purchase capital.

PROPOSED LOAN

Department	Description	Total Loan Amount
Sheriff	2 Sedan Cruisers - Includes decals, lights & radios	\$61,675
EMS	Ambulance - \$131,423 3 Cardiac Monitors - \$73,214	\$204,637
	Total Proposed Loan Amount	\$266,312
	Debt service payment based upon a 5-year loan, two payments per year at 3% interest. <u>Annual Impact to General Fund.</u>	<u>\$57,755</u>

PROPOSED GENERAL FUND DIRECT EXPENSE

Department	Description	Amount
Cooperative Extension	Laptop	\$700
Finance	Fire Proof Filing Cabinet	\$2,060
Maintenance	Spot Paving at Health Department	\$4,000
Social Services	5 Computers - \$3,000 2 Desks - \$1,200	\$4,200
Jail	Video Cameras/Monitor/DVR - \$4,384 Entry/Exit Timekeeping System - \$1,385	\$5,769
Sheriff	3 Tasers - \$4,343 4 Computers - \$3,200	\$7,543
	<u>Total General Fund Direct Expense</u>	<u>\$24,272</u>

PROPOSED GRANTS

Department	Description	Amount & Source
Sheriff	10 Body Cameras and accessories	\$24,499 - Grant
	<u>Total Grants</u> <u>(No impact to General Fund)</u>	<u>\$24,499</u>

ALLEGHANY COUNTY BOARD OF EDUCATION

Current Expense

The current expense request is \$3,155,474 which represents a \$637,357 (25.3%) increase. It is proposed to allocate \$2,593,661 to the schools for FY 16-17. This proposal constitutes a \$75,544 (3%) increase in funding. It is estimated that an additional \$41,000 deriving from court fines and forfeitures will be transferred to the schools.

Capital – School Capital Reserve Fund & Additional Capital Funding

State law requires that 30% of the Article 40 (½ cent) sales tax and 60% of the Article 42 (½ cent) sales tax go to schools for capital. It is also now law that Counties are to hold school systems harmless in regards to the Medicaid swap deal with the State. The mandated 30% of Article 40 and 60% of Article 42 portions to schools are not required to be applied to food sales. It is estimated that the mandated portion that will go to the school’s reserve fund is \$517,714 in FY 16-17. (Note: This number does not include any rollover funds from the previous year.)

\$137,500 is budgeted in the Special Appropriations Budget to renovate the 7th and 8th Grade classrooms at Sparta Elementary School. These funds will be utilized to pay debt service associated with these renovations. The Schools will bring back specific renovation details for final approval.

SPECIAL APPROPRIATIONS

There are many agencies that have requested funds under the special appropriations category. These groups are divided into five categories: 1. Grants & Mandates 2. Volunteer Safety 3. Primary Core Functions 4. Secondary Functions 5. New Items & Continuing Items.

Grants & Mandates

This category includes the Juvenile Crime Prevention Council (JCPC), CSC fines & forts, deed stamps, transfer to register of deeds enhancement fund, transfer to re-evaluation fund, occupancy tax and ACTV support (formerly Channel 50/21). The JCPC program is mainly funded through grant sources. CSC fines & forts, deed stamps and transfer to register of deeds enhancement fund are mandated by law. \$40,000 is proposed to remain in the budget to save for re-evaluation. The occupancy tax is a pass through to the Tourism Development Authority Fund and ACTV support (formerly Channel 50/21) is a pass through of PEG channel revenues to our local public television station.

Volunteer Safety

This category includes Sparta-Alleghany Volunteer Fire Department, Piney Creek Volunteer Fire Department, Glade Creek Volunteer Fire Department, Laurel Springs Volunteer Fire Department, Cherry Lane Volunteer Fire Department, Alleghany County Volunteer Rescue Squad and the volunteer Fire Commission. Funding for the Fire Departments and Rescue Squad is proposed to remain level. It is proposed that the Fire Commission receive \$124,100 in FY 16-17. The \$124,100 is comprised of \$90,000 to match equipment grants for the Departments (\$15,000 each), \$20,500 to be used to reimburse each Department for contributions made on behalf of each member for retirement, \$10,600 to be used to purchase supplemental accidental / workers compensation for the Department members and \$3,000 to be used mainly to buy supplies for the Fire Parade and fire safety school kits for all PK – 2 students.

Primary Core Functions

This category includes the Alleghany County Public Library, Appalachian District Health Department, Smoky Mountain Center, Alleghany Council on Aging, Wilkes Community College (Alleghany County Campus), NC Forestry Service and the Alleghany County Group Homes. I have classified these entities as primary core functions for several reasons. Health Department and Mental Health services are State mandated County functions and provide vital services to our citizens. The Public Library is our County's largest literary resource. Council on Aging's primary functions are to provide meals and in-home-aid services to the elderly. They are the largest provider of these services in the County. Wilkes Community College is the only provider of secondary education in Alleghany County. Their joint efforts with the Alleghany County School System have dramatically increased educational opportunities within our County. WCC also plays a major role in continuing education programs for our new and existing employers. The NC Forestry Service provides forestry management planning to our community for a fee and is a valuable resource with our Fire Departments when fighting forest fires. Alleghany County Groups Homes is the only significant provider of life skill services and employment opportunities to our mentally challenged population group.

It is recommended that the Appalachian District Health Department, Smokey Mountain Center, Alleghany Council on Aging and Alleghany County Group Homes funding remain level as requested. Although the recommended funding to the Alleghany County Public Library and to Wilkes Community College is level, these two entities will benefit financially on how it is proposed to pay for their utilities in FY 16-17. It is proposed that Alleghany County assume the library's utility costs once they move into their new location. This will be an approximate savings to the library in the amount of \$4,350. It is proposed that Alleghany County assume the propane costs from Wilkes Community College for the entire FY 16-17. This will be an approximate savings to WCC in the amount of \$7,000. It is recommended that the NC Forestry Services receive their requested amount of \$57,627 which represents the required 40% match of their operating budget.

Secondary Functions

Funded entities in this category include the Blue Ridge Opportunity Commission (BROC), Alleghany Arts Guild, Alleghany Planning Committee, Alleghany Connections, Alleghany Wellness Center, American Red Cross, Appalachian Senior Programs, Blue Ridge Business Development Center, Alleghany Memorial Hospital, Sparta Revitalization, Chamber of Commerce and Fireworks.

It is recommended that Alleghany Connections, Blue Ridge Business Development Center, BROC, Alleghany Planning Committee, Alleghany Wellness Center, American Red Cross, Appalachian Senior Programs, Sparta Revitalization, Fireworks and Alleghany Memorial Hospital remain at current FY 15-16 funding levels.

It is recommended that the Chamber of Commerce receive \$10,000 in FY 16-17. This constitutes a \$3,240 increase. These funds will be used to pay one part-time salary. The Board chose to fund a portion of a grant funded part-time position for the Chamber in current FY 15-16. At the time of approval the Board left open an option to the Chamber to return for additional funds if the grant they were seeking was not awarded. The Chamber will not receive any grant funds for this position in FY 16-17.

The Arts Guild has not submitted a request for funding from Alleghany County. At one point it seemed that the Arts Guild would no longer be providing programming that needed funding from Alleghany County. The Arts Guild is currently working with the NC Arts Council to receive grant funds. It is recommended to budget \$5,625 to remain available as a match to any grants awarded by the NC Arts Council.

Continuing & New Items

Proposed continuing items include budgeting \$15,000 for legal costs associated with the New River Behavioral Health closing, budgeting to save the 3rd \$35,000 reserve amount to go towards the purchase of new voting machines, \$1,500 for bank service fees, \$16,800 for tower rental costs and \$8,000 to pay for ongoing costs associated with video security at seven facilities. It also proposed to transfer \$22,217 to the Transportation Operational Fund to offset the losses due to the "ED" program. (Note: Drug, Alcohol and background testing costs have been moved to the Finance budget)

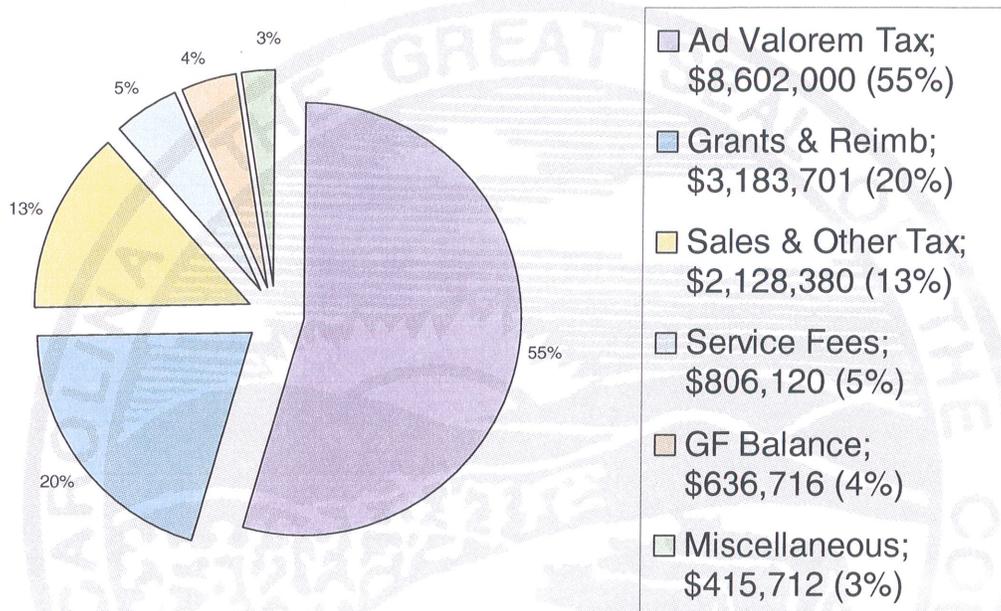
It is estimated that Alleghany County will receive an additional \$200,000 per year in expanded / redistributed sales tax. These additional funds must be expended towards K-12 education, community colleges or economic development. The Alleghany County Commissioners have determined how these additional funds should be expended in previous planning sessions. The Board's directions are as follows:

1. \$137,500 is to be allocated for debt service to renovate the 7th & 8th grade classrooms at Sparta Elementary School.
2. \$50,000 is to be allocated as a match to \$150,000 in State bond funds to renovate the Alleghany Campus of Wilkes Community College.
3. \$12,500 is to be allocated to the Health Advisory Council to carry out the Health Action Committee's recommendations.

The proposed FY 16-17 Budget implements the Board's directions.

REVENUE HIGHLIGHTS

Counties rely on many revenue sources to fund their initiatives. Allegheny County's main revenue categories are ad valorem taxes, grants & reimbursements, sales & other taxes, service fees, miscellaneous and general fund balance appropriation. The County Commissioners have direct control over ad valorem taxes and some service fees while economic conditions and local/state initiatives determine the other revenues. The following pie chart illustrates Allegheny County's proposed Revenues By Source.



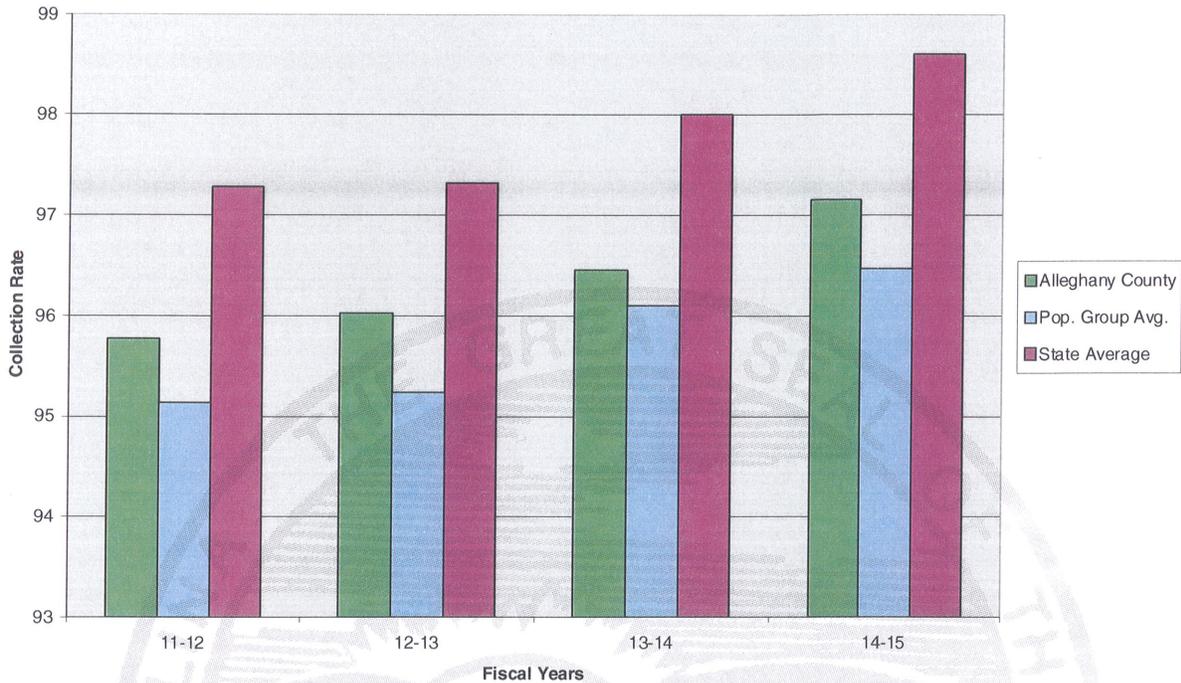
TOTAL BUDGET - \$15,772,629

AD VALOREM TAXES

Approximately 55% (\$8,602,000) of the County's budget is proposed to be funded by the property tax. The proposed \$8,602,000 is comprised of \$8,150,000 from FY 16-17 property taxes, \$350,000 from prior year taxes and \$102,000 from penalties/ interests/ garnishments for late payments.

State law dictates that a County can utilize at a maximum the last audited collection rate when estimating future tax collections. Allegheny County's Fiscal Year 14-15 audited collection rate was 97.15%. The graph below shows Allegheny County's collection rates in comparison to the average collection rates throughout the State.

ANALYSIS OF PROPERTY TAX COLLECTION RATES



GRANTS AND REIMBURSEMENTS

Grants and reimbursements account for approximately 20% (\$3,183,701) of the County's proposed revenues. Major reimbursement/grant highlights include \$1,585,317 in DSS administration reimbursements, \$344,615 in Child Development Administration, \$180,000 in Medicaid hold harmless payments, \$131,132 for the administration of the Transportation System, \$115,203 for Roaring Gap Deputies, \$44,097 reimbursement from the Board of Education and Federal Government to offset additional Glade Creek School Debt, \$42,900 Juvenile Crime Prevention Council grant, \$46,425 in Emergency Management grants, \$23,662 Soil & Water Grant and a \$23,273 Local Foods Promotion Program Grant.

The Sheriff has been awarded two grants from the Governor's Crime Commission in the amounts of \$24,499 will be used to purchase 10 body cameras and accessories and the \$103,433 will be used for two temporary full-time deputies and one part-time victims advocate.

This category also includes revenue items such as other reimbursements/grants for Social Services, Transportation, Veteran's Administration, Council on Aging, NW Library, dispatch salary, pin equipment, gas reimbursements, utility reimbursements and all transfers from other funds.

SALES & OTHER TAXES

Sales and other taxes account for approximately 13% (\$2,128,380) of the County's proposed revenues. Alleghany County receives tax revenues from the State wine/beer tax, the ABC liquor tax, cable franchise tax, PEG channel tax, occupancy tax, tax on ABC bottles for drug enforcement and sales taxes Article 39 (1 cent), Article 40 (1/2 cent) and Article 42 (1/2 cent). A new category of revenue under this section is the expanded / reallocated sales tax.

The State wine/beer tax and ABC liquor tax are both projected to increase based upon current year projects. The ABC bottle tax for drug enforcement will remain constant. The cable franchise tax and PEG channel tax will remain constant. The occupancy tax is projected to increase by 18.5% (\$10,000) over current FY 15-16 budgeted amount.

Article 39 is a 1 cent sales tax revenue that is determined by the amount of sales generated directly in Alleghany County (point of delivery). There is a clause in the Medicaid / Sales Tax swap made with the State that requires towns to be held harmless. The hold harmless funds are removed from this revenue and distributed to the Town of Sparta. It is projected that Alleghany County will receive a 2.85% increase in these revenues from FY 14-15 to current FY 15-16. It is recommended that \$673,002 be budgeted in FY 16-17 for Article 39 revenues. This recommendation constitutes a projected 2% growth in these revenues.

Article 40 is a 1/2 cent sales tax revenue that is based on Statewide sales and distributed to the Counties based on population. It is projected that Alleghany County will receive a 2.46% increase in these revenues from FY 14-15 to current FY 15-16. It is recommended that \$670,439 be budgeted in FY 16-17 for Article 40 revenues. This recommendation constitutes a projected 2% growth in these revenues.

Article 42 is a 1/2 cent sales tax revenue that is determined by the amount of sales generated directly in Alleghany County (point of delivery). There is also an adjustment factor applied on how this tax is applied to food statewide. It is projected that Alleghany County will receive a little less than a 2% increase in these revenues from FY 14-15 to current FY 15-16. It is recommended that \$378,839 be budgeted in FY 16-17. This recommendation constitutes a projected 2% growth.

A provision in the recently enacted budget bill, Session Law 2015-241, establishes a new local sales tax distribution plan for some local governments. The plan requires the Department of Revenue to distribute \$84.8 million (plus growth in the out years) to local governments based on percentage allocations listed in the legislation. It is anticipated that Alleghany County will receive approximately \$200,000 in additional sales tax revenues. These revenues can be used for K-12 education, community colleges and economic development.

SERVICE FEES

Service fees account for approximately 5% (\$806,120) of the County's proposed revenues. Revenues included in this category are line items such as Register of Deeds fees, building inspection fees, recreational fees, fire inspection fees, County beer & wine fees, court fees, jail telephone fees, all Sheriff Department fees, sod seeder rental fees and Town of Sparta tax collection fees. All of these fees will remain relatively constant and are budgeted to reflect actual FY 15-16 receipts. It is anticipated that EMS receipts will be \$390,000 in FY 16-17.

The boarding of State, Federal and other County inmates is a volatile revenue source and is difficult to predict. It is anticipated to receive approximately \$109,000 in current FY 15-16 for these services. It is recommended to budget a \$100,000 in FY 16-17 for these services. The proposed jail budget does not reflect the cost of housing a significant amount of State, Federal and other County inmates. If the jail begins housing a significant number of these inmates, then Alleghany County will need to adjust the jail operating budget to accommodate the additional expenses.

MISCELLANEOUS

Miscellaneous revenues account for approximately 3% (\$415,712) of the County's proposed revenues. These revenues include interest earned on investments, lottery proceeds, CSC fines and forts, drink/snack machine revenues, utility capital credits and copy charges. The CSC fines / forfeitures reflect current year receipts and are mandated to be transferred to the schools. An additional line items proposed for this section are loan proceeds in the amount of \$266,312 for capital purchases.

GENERAL FUND BALANCE

General Fund balance appropriation accounts for approximately 4% (\$636,716) of the proposed revenues. Historical data has proven that normally \$300,000 to \$400,000 of the General Fund balance appropriation is not actually utilized. The last two years has shown that \$500,000 to \$600,000 of the General Fund balance appropriation was not actually utilized. This is due to improved tax collections, sales tax revenues, inmate revenues and EMS receipts. The FY 16-17 proposed budget takes into account these improved revenues. The proposed FY 16-17 budget will utilize some of the \$636,716 appropriated fund balance within the fiscal year.

It is projected that the General Fund Balance will be approximately \$3,500,000 the end of current FY 15-16. This equates to an approximate 24.5% fund balance. Alleghany County should always keep at a minimum 16.67% (two months operating expenses) fund balance. It has always been recommended that a 20-30% fund balance be maintained. The proposed FY 16-17 Budget should maintain the County's fund balance near the 20% mark.

SPECIAL FUND HIGHLIGHTS

NOTE: These funds are separate operating entities from the general fund budget. There are additional personnel and capital recommendations in the following summaries.

TRANSFER FACILITY ENTERPRISE FUND

The Alleghany County Transfer Facility FY 16-17 proposed operating budget is \$863,100. This proposal constitutes an approximate decrease of 0.13% (\$1,096) under the FY 15-16 amended budget. The proposed budget includes implementing the 1st year of the recommended classification and pay study. There are no major operational changes proposed for FY 16-17. There are no major capital or capital improvements requested for FY 16-17.

EMERGENCY 911 FUND

The FY 16-17 E911 proposed budget is \$141,336. This proposal constitutes an approximate increase of 2.52% (\$3,472) over the FY 15-16 amended budget. The proposed budget is set up to operate the Emergency 911 department as normal. Alleghany County has contracted with Mission Critical Partners to perform a study on the dispatch center operations. Mission Critical Partners are also assisting Alleghany County on developing a back up plan for the dispatch center. Alleghany County will be updating the E911 equipment in FY 16-17. The results of the study could impact what and/or how the E911 equipment is going to be updated, maintained and operated. These discussions will continue throughout the year.

TRANSPORTATION OPERATIONAL FUND

The FY 16-17 Transportation Operational Fund budget is proposed to be \$326,156. This proposal constitutes an approximate decrease of 25.12% (\$109,437) under the FY 15-16 amended budget. The majority of this decrease is due to less capital purchases being proposed. The Fund is operated as a revenue based Fund relying on its own revenues to pay for expenses.

An exception to operating as revenue-neutral Fund has occurred in regards to the "ED" program. The "ED" program provides local transportation to the elderly and disabled. The Board has previously voted to continue this program knowing that this operation may cost the General Fund up to \$22,650. It is estimated that the General Fund will need to supplement this Fund by \$15,000 in current FY 15-16 and will need to supplement this Fund by \$22,217 in FY 16-17.

Highlights of this fund include a \$46,000 Elderly and Disabled Transportation Program grant, \$42,483 Rural General Public grant, \$72,150 grant for the "ED" program and a \$5,140 Work First Transportation grant.

The proposed budget includes implementing the 1st year of the recommended classification and pay study.

The recommended capital budget for the Operational Fund is as follows:

Description	Amount
Replacement Lift Van (ED)	\$58,500
TOTAL	\$58,500

Ninety percent (90%) of all capital is funded through grant sources.

OTHER FUNDS

This category includes other funds such as the Economic Development Fund, the Tourism Development Authority Fund, Fairgrounds Fund, Soil & Water Fund, Drug Agency Fund, Register of Deeds Enhancement Fund, Library Fund, Re-Evaluation Fund, School Capital Reserve Fund and all active building funds. These Funds can be discussed during the budget process.

CLOSING

In closing, I would like to extend my appreciation to all County employees who work extremely hard to provide the necessary services that make Allegheny County a great place to live. I also extend my thanks to the Department Heads, Elected Officials and Special Appropriation representatives for their cooperation in fashioning their budget requests to the required specifications and timelines. And last – but by no means least – I would like to thank Finance and Administration employees for their tireless effort and attention to detail over the budget development process.

Respectfully submitted,



Don Adams
Allegheny County Manager