

Alleghany County Board of Commissioners

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Alleghany County Commissioners:

What follows is the budget message for fiscal year (FY) 2017-2018. The budget is prepared in accordance with the North Carolina Local Government Commission guidelines for the Fiscal Control Act.

Local governments use a fund-based accounting system. The General Fund is the basic operating fund for the County. The General Fund is used to account for most financial resources and transactions except those accounted for in special or designated funds. The primary source of revenue for the General Fund is the ad valorem tax (aka property tax). The current property tax rate is \$0.5125 per \$100.00 of valuation. This budget proposes maintaining the current tax rate; however, we believe the current tax rate will not be sustainable beyond 2017-2018.

Revenue Highlights

General Fund revenues are projected to increase by \$1,444,142 to \$17,511,574. This budget relies on a fund balance appropriation to balance the General Fund budget. The budgeted fund balance appropriation for this year is \$1,116,416 which is \$448,858 larger than the budgeted fund balance appropriation from last year.

For the last few years the County has been able to avoid actually spending the budgeted fund balance appropriation through a combination of conservative spending, tight management by department heads and accurate revenue estimates. During FY 2017-2018 we will most likely be required to utilize a significant amount of the appropriation, perhaps \$400,000 to \$500,000. This will decrease the County's reserve fund balance.

Property tax revenue is forecast to remain stable at \$8,500,000 since there is no projected property tax rate increase. Tax penalties and interest are projected to decline slightly from \$105,000 to \$95,000. Local option sales and use tax, Article 40 sales and use tax and Article 42 sales and use tax are all projected to increase by 3.25% from \$1,722,280 to \$1,778,254 in total. In addition, the expanded sales tax (which is restricted to economic development, K-12 education or community college usage) is projected to increase by 13% over last year's budgeted amount to \$226,000, the

estimated total for current year's collections. Other taxes include occupancy tax of \$72,000, wine and beer taxes of \$45,000, deed stamps of \$90,000, lottery proceeds of \$100,000, cable franchise taxes of \$16,000 and PEG revenue from our local TV of \$56,000. These figures are all flat from last year with the exception of occupancy tax.

The County also receives about \$3.4 million in reimbursements and grants. Highlights in this category include \$1,725,878 in Social Services Administration, \$318,426 in Child Development Administration, \$175,000 in Medicaid Hold Harmless payments, \$23,990 in Transportation reimbursements and \$127,700 in Roaring Gap deputy reimbursements. Some of the grants include \$150,262 in Governors Crime Prevention Grant, \$12,973 in Local Foods Grant for the Farmer's Market, \$11,000 in Emergency Management grants and \$131,132 in DOT administration grants.

Ambulance revenue is projected to increase by \$35,000 over last year's budget and by about \$15,000 over this year's actual estimate. A recent change in Medicare reimbursement for these services has caused an uptick in collections the last few months. The budget also includes an average estimate of 13 state prisoners boarded generating \$189,800 in revenue. We have maintained the number at 13 for the last several months and project to carry that forward into FY 17/18.

The other significant revenue increase is \$250,000 for the proceeds of the sale of the former library building. This is a one-time revenue inflow.

Expenditure Highlights

The proposed budget includes the following projects: installation of a simulcast system for emergency communications, the purchase of new voting machines, the purchase of new software systems for the Tax Administration and Finance departments, the purchase of 1 county vehicle and 2 Sheriff's Department vehicles, and some capital upgrades to the jail. Additionally, the County's insurance premiums increased by nearly \$140,000 and Year 2 of the Employee Salary Review project includes approximately \$260,000 of increased salary and benefits compensation to our dedicated, hard-working employees.

Personnel:

The proposed budget includes 4 new positions: a full-time custodial/maintenance position for the BDC/Library/WCC building, a new Assistant Finance Officer with the relocation of a current position from Finance to Maintenance and the Transfer Station, and a new Appraiser for the Tax office to be hired on or about January 1, 2018. The fourth position is a transfer of the School Resource Officer from the School Systems payroll to the County payroll.

With the increased use of the BDC building, a full time custodial and maintenance position is needed. The library has seen an increase in usage since its move a few months ago. The business incubator is nearly full and the Community College enrollment is up by about 50%. The current contractor will not be retained by the BDC. The County's contribution to both the BDC and WCC have been reduced by the amount of the cleaning contract.

Previously, a Deputy Finance Officer position has been split between the Transfer Station (60%) and the Finance Office (40%). The current Deputy will be moved to the Transfer Station on a full-time basis and a new Deputy hired for the Finance Office. This is a net of 1 new position. This transition will allow the current Deputy Finance Officer/HR Officer to transition into more of a focus on HR duties.

One of the “Big Ideas” submitted by the Tax Office was a transition to in-house re-valuation in the near future. The first step in this process is the hiring of an additional Appraiser position. This is scheduled to take place at the mid-way point of the year.

The School Resource Officer position is moving from a School System employee to a County employee. The County will be reimbursed most of this expense by the School System.

The major personnel expense is year 2 of the salary study implementation plan. The increased salary totals \$264,599 for the proposed fiscal year. With the sharp increase in medical insurance our employees will see this year (about 8%) most employees will barely break even with their increased salary.

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 MedCost through the North Carolina League of Municipalities. Alleghany County also carries insurance involving employee bonds, inmate hospitalization and unemployment. Alleghany County’s overall FY 17-18 insurance is proposed to increase by \$169,400 or 10.5% over the amended FY 16-17 budget. This is consistent with previous years’ increases. \$140,178 of the increase is for employee and retiree health insurance (including DSS). The other major increases are \$563 for workers compensation insurance and \$9.437 for property and liability insurance.

Capital Purchases

The following capital purchases are proposed for the 17/18 FY.

Administration	\$700	Laptop
Tax	208,000	New software
Finance	\$63,000	New software, filing cabinet, desk
Board of Elections	\$95,000	New voting machines
Recreation	\$35,000	New truck
Register of Deeds	\$4,095	New plat cabinet
Sheriff	\$96,710	Body camera software, tasers, computer, 9 viper radios, 2 vehicles
School Resource Officer	\$5,797	Viper radio, taser, body camera assembly, weapon
Maintenance court related	\$1,058	Security camera
Jail	\$48,775	8 HVAC units, timekeeper system

Extension	\$700	Laptop
Veteran's Service	\$6,050	Computer and equipment upgrades to meet VA requirements
Social Services	\$4,100	Dual monitors to meet state requirements

A capital loan in the amount of \$519,227 is proposed to finance all the capital purchases.

Education

The proposed budget includes an increase in K-12 funding of \$70,751 to \$2,664,412 – despite an expected decline in student population of 30. School funding per student is increasing 5.0% from \$1859.00 to \$1952.00. We are also borrowing \$1,375,000 through the Qualified Zone Academy Bond (QZAB) program to fund needed renovations at Sparta Elementary School. This will bring our total school debt to just over \$5.8 million.

Our contributions to Wilkes Community College will increase by about \$40,000 to aid in the addition of a new full-time faculty member for the Alleghany Center. We have additionally budgeted \$15,000 for grounds improvements including improving and marking the overflow parking lot and landscaping and erosion control for the hill between the high school and the college.

Capital – School Capital Reserve Fund

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. The NC Department of Revenue has changed its reporting format to the Counties to reflect food sales separately from other sales. The NCACC has developed a methodology for calculating the mandated portion to schools. 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.)

Special Appropriations

The special appropriations proposed for the budget are as follows:

Bank Fees	1,500
REGIONAL LIBRARY	167,840
APPALACHIAN DISTRICT HE	178,696
MENTAL HEALTH DISTRICT	115,483
BROC	2,735
COUNCIL ON AGING	143,565

Arts Council	6,000
Chamber of Commerce	10,000
RE-EVALUATION FUND	40,000
SPARTA-ALLEGHANY FIRE D	71,000
PINEY CREEK FIRE DEPT.	45,000
GLADE CREEK FIRE DEPT.	47,898
LAUREL SPRINGS FIRE DEP	41,607
CHERRY LANE FIRE DEPT	44,750
FIRE COMMISSION	127,600
FIRE CONTROL	59,336
RESCUE SQUAD	41,173
PLANNING COMMITTEE	1,500
WILKES COMMUNITY COLLEGE	145,475
HEALTH ADVISORY COUNCIL	12,500
ALLEGHANY CONNECTIONS	1,010
RACC-Fireworks	3,000
JCPC (CBA)	67,999
OCCUPANCY TAX	72,000
CSC Fines and Fords	41,000
Wellness Center	13,770
Red Cross	2,251
Deed Stamp	48,000
ROD ENHANCEMENT FUND	8,000
Transfer to Transportation Fund	23,397
SENIOR SERVICE	12,852
Alleghany County Group Homes	45,000
Channel 50/21	56,000
Alleghany Memorial	80,000
Sparta Revitalization Committee	2,000
Blue Ridge Business Development	20,250
Security at 6 Facilities	5,250
Emergency Services Communications	18,600
WCC Bond Match	75,000
Historical Society	2,500
Music on Main	2,500

Our House	7,000
Partnership for Children	50,000

In total, special appropriations decreased by \$158,490 from last year. The primary reasons are the reallocation of \$137,500 for Sparta School renovations to the debt category and the \$35,000 appropriation for new voting machines having completed its 3 year cycle. Ignoring those items, special appropriations increased \$14,010 over 2016/2017. Funding remains essentially level for most of the special appropriations such as the fire departments, rescue squads and human services organizations. The Wellness Center requested half of last year's appropriation or \$13,770. Allegheny Memorial Hospital is budgeted for \$80,000, a 20% reduction from last year. The Health Department is budgeted for a 5% increase in funding (about an \$8,500 increase). There are 2 new requests this years – Our House for \$7,000 and Partnership for Children for \$50,000.

Other Funds 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 Allegheny County Transfer Facility FY 17/18 proposed operating budget is \$883,544. This constitutes an increase of 2.6% over 16/17. Extensively all of this increase is payroll from the proposed new salary plan and the addition of 25% of the salary of the new position for the BDC/Library building. There are no operational changes or capital expenditures proposed.

E-911 Fund

The FY 17/18 proposed budget includes \$154,909 in expenses. With the June 2016 completion date of the backup 911 call center, some of the expenses for the PSAP will be incurred and reimbursed in different budget years.

Transportation Operational Fund

The FY 17/18 proposed budget is \$382,371, an increase of \$56,513 over 16/17. It is estimated the General Fund will need to supplement this fund in the amount of \$16,454. Capital expenditures of \$114,400 include the purchase of a new ED van. This fund was set up several years ago to be a matching component for federal and state grants.

Other Funds

This category includes other funds such as 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 as needed during the budget process.

Closing

I want to thank the Allegheny County Board of Commissioners who placed a tremendous amount of faith in me last October by naming me the County Manager. I especially want to thank our Finance Officer Karen Evans for her invaluable assistance in shaping and molding this year's budget, my first with Allegheny County. I could not have done it without her.

Respectfully submitted,

Michael James
County Manager

