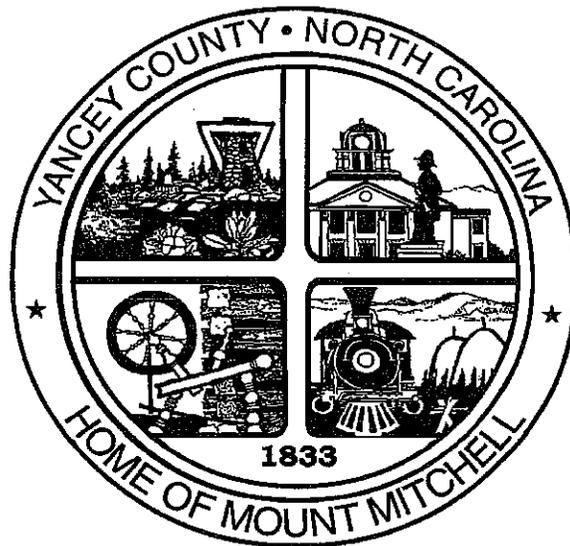


COUNTY OF YANCEY

FY 2016-2017

BUDGET MESSAGE



June 13, 2016

Nathan R. Bennett
Yancey County Manager

YANCEY COUNTY BUDGET MESSAGE

FISCAL YEAR 2016-2017

*To the Yancey County Board of County Commissioners
and Citizens of Yancey County:*

In accordance with North Carolina General Statute 159-11, the Yancey County Fiscal Year 2016-2017 proposed budget is respectfully submitted for your review and consideration. The proposed budget sets forth a plan of operations for all County departments, programs, and capital projects for the coming year. This proposed budget is balanced in accordance with the Local Government Budget and Fiscal Control Act with general fund revenues and expenditures each totaling \$21,982,506.

INTRODUCTION

This budget message will introduce the Yancey County Fiscal Year 2016-2017 proposed budget. The budgeting process begins in February of each year with management requesting proposed appropriation use plans from departments, agencies and other County-supported entities. This year the requests for County funding exceeded expected revenues by over \$2.1 million. Over the course of numerous work sessions, the County Commissioners and County staff have worked to develop a balanced budget in line with expected revenue. This document will show how the County plans to utilize its fiscal resources and will highlight some of the more significant impacts to the County's budget.

Yancey County continues the efforts of the past eight years to accomplish three primary goals: restoration of the financial integrity of Yancey County, maintain essential public safety, health and human services, and make investments in infrastructure necessary to support economic prosperity. Despite continued challenges from reductions in federal and state funding for mandated services, Yancey County has accomplished these goals by relying on prioritization, creativity, and initiative. This budget provides additional County resources for financial stability, public school, law enforcement, public safety, health and human services, and other vital services. While County staff is to be commended for accomplishing much with limited resources, we are pleased this budget continues the progress made the past few years to provide the tools to staff necessary to provide these services. Furthermore, this budget provides a priority spending plan that attempts to minimize the tax burden on the County taxpayer.

REVENUES

Revaluation Budget Impact

The County's primary sources of funding are property and sales taxes and state and federal grants. Property taxes constitute the County's largest source of revenue. As everyone is aware, Yancey County has just completed the state-mandated revaluation of real property which establishes new tax values effective January 1, 2016. The previous revaluation was implemented January 1, 2008, eight years ago, at the height of the building boom. The subsequent effect of the Great Recession on the property values in Yancey County as a whole has severely reduced the total tax base. The total projected tax base for FY 2016-2017 is \$2,125,934,167. This represents a 12% loss of tax value (or approximately \$300,000,000) from the current fiscal year tax base. This

loss in County-wide value equates to a loss of approximately \$1.5 million in tax dollars essential to providing County services.

Revenue-Neutral Tax Rate

N.C. General Statute 159-11 requires each taxing unit to publish a “revenue-neutral property tax rate” as part of its budget for the fiscal year following the general revaluation of real property. The revenue-neutral tax rate is considered to be the rate that when applied to the revalued property tax base, would generate the same amount of property tax revenue as the previous year rate did on the old property tax base. For Yancey County the revenue-neutral tax rate is \$0.62 as compared with the FY 2015-2016 tax rate of \$0.50. The budget as prepared requests a tax rate of \$0.60 that will generate gross ad valorem taxes in the amount of \$12,770,494 of which \$12,516,361 is budgeted based on the FY 2014-2015 collection rate of 98.01%.

In 2015, 20 North Carolina counties completed the state-mandated revaluation process. Of those 20 counties, 19 counties found the revenue-neutral rate was higher than the previous year tax rate due to the fact that property values had decreased since the last revaluation. In 2014, Mitchell County completed revaluation on property as required. Property values in Mitchell decreased less (7%) than those in Yancey County this year (12%). Mitchell County adopted a tax rate that was \$0.13 higher than the prior year.

Taxpayers will be affected differently by the adoption of the new property tax rate. Property values have changed significantly in the eight years since the last revaluation, with some properties declining significantly in value while other have remained unchanged or may have even increased in value in some areas. Property owners whose assessed property values declined sharply will very likely receive lower tax bills. Those property owners whose assessed property values dropped only slightly, remained the same or increased will very likely receive higher tax bills. The goal of the revaluation was to ensure uniformity and equity in our tax levy by assessing all real property in the county as close to one hundred percent of fair market value as possible.

General

For Fiscal Year 2016-2017, the recommended property tax rate is \$0.60 per \$100 of valuation. It is expected this rate will provide estimated total revenue of \$12,516,361 or 57% of the total general fund budget. The Yancey County Tax Department has done a good job over the past few years working with taxpayers to collect taxes owed to the County. The current property tax collection rate is 98%, which puts Yancey County in the range of our County peer group. The sales tax projection for the County continues to be level as the State has transitioned from the per capita distribution to the point-of-sale distribution meaning Yancey County no longer shares in sales tax revenue on a statewide basis, but only receives what is actually collected in Yancey County. Recent state legislation will dedicate a portion of the expanded sales tax base (that is the sales tax now charged for certain services) to the County and required by the state to be used for economic development, schools or the community college. Other revenue sources such as fees from building permits, deed filings, firearm permit fees and others are projected to be minor as they constitute only a small portion of the revenue for this budget. The remaining revenue sources include federal and state grants for specific programs, primarily at the Department of Social Services and the Transportation Department. Therefore, it is recommended that the Board continue to support tax collection measures to ensure that all outstanding tax revenue is collected.

MAJOR INITIATIVES AND EXPENDITURES

Yancey County has made great progress in fiscal management, capital planning and day-to-day operations. Accurate budget projections and a disciplined approach to budget administration have yielded great dividends for both the County organization and taxpayers. Continuing the progress, this budget will contribute specifically to the restoration of the County's fiscal health, provide funding for the public schools, provide additional resources to the Sheriff's Department, provide an increase in employee compensation, provide much needed County facility repair, provide needed public services, and support community initiatives. Specifically, our proposed budget addresses these issues as follows:

- 1) **Fiscal Control and Financial Stability:** At the end of FY 2015, Yancey County had a fund balance reserve available for appropriation of \$2,165,831. This represents a fund balance of 11%. This is an increase from \$1,480,006 (7.5%) available at the conclusion of FY 2014. Yancey County is proud to report that this fund balance exceeds the state requirement of 8%. This represents a tremendous amount of work by the Board of Commissioners, administration and department heads. By working together, Yancey County is in the best financial condition in over a decade. But our work is not over as the Board of Commissioners set a fiscal policy in 2010 that the fund balance should be at least 16%, which is still less than other counties this size. This amount would provide greater financial stability and coverage in the event a catastrophic event was to strike Yancey County. The County must have the financial resources available to address unknown and unexpected situations that could cripple our community if found unprepared. The County has worked closely with the N.C. Office of the State Treasurer and the Local Government Commission over these past several years to develop and implement sound financial policies to move the County to sound financial standing. This proposed budget continues the effort and recommends an allocation of \$400,000 to the "Contribution to Fund Balance" line item in the general fund. Achieving the 8% fund balance level has been the primary goal for County Commissioners and administration since 2009, and now to build upon this accomplishment will position the County for great progress in the future. This has been a difficult task with many sacrifices but everyone is very proud to have accomplished this goal for the long-term stability of Yancey County.

In light of the shortfall in revenue due to the lower property values, County Commissioners and staff worked diligently to reduce expenses in all County departments. There was also a concerted effort to look at each department for the potential to generate fee-based revenue to bring their operations as close to self-sustaining as feasible. The Commissioners and staff worked with two department in particular to close the gap between expense and revenue: the Toe River Campground and the Little Hands Childcare Center. Working with the Department Directors, plans were successfully developed to bring both of these operations to a near break-even through restructuring the mission and organization of the agency and fee enhancement to peer group operations.

- 2) **Public Schools and Education:** *Yancey County Schools* continue to do great things to improve educational performance among our students. Yancey County is pleased to have a close relationship with the Yancey County Board of Education and appreciates the difficult decisions the schools have made in light of state funding reductions. The Board of Commissioners met jointly with the Board of Education to discuss funding priorities as well as developing a plan for capital facilities for Yancey County Schools. The Board of Commissioners is committed to ensuring that our children have the best facilities and equipment that can be provided. The Commission has committed to pursue financing up to \$11.5 million for school facility improvements at the county's aging elementary schools as may be

recommended by the Board of Education and the facility evaluation study commissioned by the Board of Education. This level of commitment for capital facility improvement is unprecedented by any Board of Commissioners and shows that the County has heard and answered the call from the Board of Education that the time has come to address these aging schools and develop a plan to move the system forward for all County citizens.

Aside from this major facility improvement initiative, the County's commitment to Yancey County Schools and its students continues to be a top priority and this budget maintains the current level of appropriation for current expense, and maintains current level funding for JROTC, and local supplements. Specifically, this budget appropriates \$2,900,000 for the school system's current expense budget. Additionally, the County maintains the \$100,000 appropriation for local supplements, a \$40,000 appropriation for continuation of the JROTC program, an \$80,000 appropriation to the schools' capital outlay fund, and \$10,000 in timber receipts designated for school use. There is also included in this budget \$700,000 for capital facility debt service to be used in the implementation of the facility improvement plan for the County's aging elementary schools. This is a total commitment to the Yancey County School System of \$3,830,000.

Mayland Community College, while primarily supported with state funds, depends on the three partner counties of Yancey, Mitchell and Avery for operational and capital equipment costs. Yancey County has historically funded the community college at or above the level of the other partner counties. Mayland Community College is funded in this budget with an appropriation of \$349,640, an increase of 9.5% over the FY 2016.

Furthermore, the County is pleased to assist Mayland with the construction of the "Anspach Advanced Manufacturing School" on the Yancey Campus. This facility is a valuable asset in the recruitment of business and industry to Yancey County as well as providing the trained workforce in new manufacturing technology necessary for the County's existing industries. This budget includes an appropriation of \$10,000 as the third installment of a contribution pledge of \$50,000 for the construction of the Anspach Advanced Manufacturing School at the Yancey Campus.

- 3) ***Sheriff's Department and Detention Center***: The County continues the appropriations necessary for the Sheriff to provide officer presence at the County's public schools. The safety and security of children at school is of paramount concern to everyone. Additionally, this budget provides funding to continue needed capital equipment purchases, such as patrol vehicle, and to provide officer safety equipment.

The Sheriff is responsible for managing several sections of the County budget. The Sheriff is responsible for the "Sheriff's Department" budget of \$1,519,831 which includes patrol and investigations, "Sheriff Dispatch" budget of \$283,613; "County Detention Facility" budget of \$1,005,560; "County Grounds Security" budget of \$65,051; and the "Non-Departmental Juvenile Inmate Confinement" budget of \$8,000. Upon review and analysis of the sheriff's provision of animal control services utilizing the separate "Animal Control" budget of \$59,812, in agreement with the Sheriff, this separate budgetary department was eliminated. In lieu of the separate budget, an appropriation of \$10,000 was included in the "Sheriff's Department" budget listed above to provide animal control services. The total appropriated by this budget and managed by the Sheriff is \$2,874,063, which is 13% of the total general fund budget.

- 4) **East Yancey Wastewater Treatment Plant and Collection System:** Several years ago, Yancey County began construction on the waste water treatment plant and collections system to serve the greater Micaville area. This major infrastructure project had been in planning and development since the 1990s. County Commissioners and their counterparts with the Town of Burnsville over the past two decades have worked on various portions of the project to bring it from a mere concept to a reality. Yancey County took the lead for the project in the early 2000s. This wastewater treatment plant and collection system will provide reliable municipal service to Hickory Springs Manufacturing, Micaville Elementary School, numerous commercial and business properties as well as residential customers. This system will provide the community with a sanitary sewer to address failing onsite septic systems and provide an alternative to expensive private wastewater treatment operations. After all these years, construction is nearing completion and now the system will become operational in the next few months. As expected, this new system will require significant investment in personnel and resources to provide this service to the citizens of Yancey County. This budget provides an initial appropriation of \$100,000 to cover the cost of operation, maintenance, and future improvements for the East Yancey Wastewater Treatment Plant and Collection System.

- 5) **Employee Compensation:** Employees have worked very hard during some of the most difficult economic circumstances in recent memory. The persistent economic circumstances over the past several years has, unfortunately, resulted in sending more citizens into County offices for assistance, whether it has been for vital social services, transportation, medical services or law enforcement. This increase in workload and the positive response by employees to it has not gone unnoticed. This budget includes an across the board pay increase for all employees of 1% which is reflective of data from the federal Consumer Price Index (CPI).

In addition to this across the board increase, the administration recommends examining the current pay plan. It is readily apparent that all Yancey County employees as a general rule are paid significantly less than their counterparts in the same positions in peer group counties. The County fights a constant battle with recruiting good employees, training them at significant expense, just to see them depart to another county doing the same job for significantly greater compensation. The administration believes a full review of the position classification and pay plan should be undertaken when the County has achieved sound financial standing and the full effects of the new property tax values are known.

Furthermore, the County continues to be impacted by increases in employee health insurance and the required County contributions to employee retirement. It has become necessary for the County to transition to a new major medical health insurance provider for employees. The County has worked with our current provider, Blue Cross Blue Shield of N.C. for a number of years with great success. Unfortunately, this spring Blue Cross Blue Shield presented the County with a renewal proposal for the upcoming year that exceeded a 53% increase in the premium cost for the same benefit plan offered during the current fiscal year. The County submitted requests to all eligible private medical insurance providers in North Carolina as well as North Carolina State Health Plan. Aeta was selected as the low-bidder and provided a service array essentially identical to our current offering. The premium increase to transition to Aetna was a 41% increase over current year rates but provided a reasonable alternative to Blue Cross Blue Shield. The increase cost for employee medical insurance results in an additional \$255,000 over current the year level.

In addition to health insurance, the contributions to employees' retirement increased as a result of state legislative changes to the contribution rates. For general employees the rate increased from 6.77% to 7.35% and for law enforcement the rate changed from 7.15% to 8%.

- 6) ***Community and Human Service Agencies:*** Yancey County is fortunate to have many beneficial community agencies serving the vital needs of Yancey County's citizens. The County continues to support these initiatives by continuing current year funding appropriations to the Yancey County Rescue Squad, Yancey County Senior Center, Yancey County Literacy Council, the Middle School Health Centers, Graham Children's Health Services, Hospice of Yancey County, the Yancey County Humane Society, the Yancey County Youth League and others. The County provides critical support to these agencies that allows them to provide these various needed services to our community at a much greater return on investment than if performed directly by County government. The investments in these agencies benefit every sector and demographic group in our county in a positive, meaningful way.

- 7) ***Facility Needs and Capital Outlay:*** The Yancey County Courthouse serves as the center of County government and the seat of the General Court of Justice for Yancey County. Over the past year, a number of improvements have been made to the Courthouse, including painting the exterior wood components and window restoration, as well as a Phase One installation of HVAC units on the first floor. This budget provides additional funds for Phase Two in order to continue the installation of HVAC units to additional offices and common areas on the first floor. In addition to the Courthouse, a number of other County facilities are in need of roofs, HVAC modernization and general facility repair. Funds are included in this budget to complete these needed repairs and renovations in order to have facilities citizens can be proud of as well as providing a safe workplace for employees.

BUDGET SUMMARY

Yancey County Government has been able to accomplish great things for the citizens of Yancey County by planning and analyzing needs and resources, conducting careful budgeting and then maintaining a disciplined adherence to the adopted budget. The leadership of the Board of Commissioners and the diligent work of County employees has resulted in tremendous progress toward rebuilding the financial stability of County government while at the same time providing investments for economic development infrastructure, public safety and health and human services, and support for community initiatives for our citizens.

Respectfully submitted on this the 13th day of June 2016.

NATHAN R. BENNETT,
Yancey County Manager