

COUNTY OF YANCEY

FY 2012-2013

BUDGET MESSAGE



June 19, 2012

**Nathan R. Bennett
Yancey County Manager**

YANCEY COUNTY BUDGET MESSAGE

FISCAL YEAR 2012-2013

*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 2012-2013 proposed budget is respectfully submitted for your review and consideration. The proposed budget sets forth a plan of operation 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 \$19,772,437. This proposed budget is \$392,153 less than the revised budget for FY 2011-12.

INTRODUCTION

This budget message will introduce the Yancey County Fiscal Year 2012-2013 proposed budget. The budgeting process begins in earnest in February and March with management requesting proposed appropriation use plans from departments, agencies and other county supported resources. This year the requests for county funding exceeded expected revenues by over \$1.1 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.

The primary goal for the upcoming budget year is to maintain basic services without raising taxes. The County will maintain mandated and priority services and address important capital needs while maintaining the tax rate at \$0.45 per \$100 valuation.

An equally important goal is to continue the administration's serious efforts to restore the general fund balance reserves. The County continues our close partnership with the N.C. Local Government Commission in making progress to restore fund balance reserves to the state-mandated level of 8% of expenditures. This requires a continued appropriation of approximately \$400,000 annually in order to restore the County's fiscal reserve.

Yancey County continues to experience continued depressed revenues due to the national economic recession. County government, unlike most private business, experiences increased demands for many services such as law enforcement, public health and other social services during tough economic times. County staff is doing more with less. For the first time since 2008, there is a proposed 2% cost of living pay increase for all employees included in this budget.

REVENUES

The county's primary sources of funding are property taxes and sales taxes. Property taxes constitute the county's largest source of revenue. For Fiscal Year 2011-2012, it is recommended that Yancey County maintain the current property tax rate at \$0.45 per \$100 of valuation providing an estimated \$11,277,191 or 57% of the total general fund budget. The County Tax Department has made great strides over the past year in collecting delinquent taxes owed to the County. The current tax collection rate is approaching 96%, which is the highest rate in over five years and puts Yancey County in the range of our county peer group. Together with the use of authorized tax collection methods and the conducting of business personal property audits, positive results for County revenue have been produced. The sales tax projection for the county appears stable after several years of declining receipts due to economy and the state's new point-of-sale distribution method. Changes to other revenue sources such as fees from building permits, deed filings, and others are projected to be minor due to the depressed housing construction and sales market. These constitute a small portion of the revenue for this budget. The remaining revenue sources include federal and state grants for specific programs. Expenditures have been reduced substantially over the past three fiscal years; therefore, it is recommended that the Board continue its support for revenue generation measures by the tax department to ensure that all outstanding tax revenue is collected.

MAJOR INITIATIVES AND EXPENDITURES

Yancey County continues to persevere through the worse economic conditions since the Great Depression. Despite the financial difficulties that this present economy has produced, I am pleased to recommend a budget for the coming fiscal year which will contribute to the restoration of the county's fiscal health, provide significant funding for our public schools and community college, supports parks and recreation development, provides needed public services, and supports community initiatives. Specifically, our proposed budget addresses these issues as follows:

- 1) ***Fiscal Control and Financial Stability***: At the end of FY 2011, Yancey County ranked last in the state in the amount of fund balance reserves available for appropriation at 3% (or \$581,510). Although still below the state requirement of 8% available, this represented a drastic improvement from the negative 9% available in FY 2009. Yancey County is working successfully with the N.C. Local Government Commission to restore the County's fiscal health. This proposed budget recommends an allocation in the amount of \$400,000 to the "Contribution to Fund Balance" line item in the general fund. It is anticipated that the amount of this contribution combined with the overall reduction of expenses will add an additional 2% to the fund balance reserve by the end of FY 2012-13. Together with the anticipated gains from the current year, the administration believes the fund balance reserve will near 5% available. This will represent a 14% swing in our fund balance reserve available. This has been a difficult task with many sacrifices but it is a goal that absolutely must be accomplished.

- 2) **Public Schools and Education:** Yancey County Schools continue to do great things to improve educational performance among our students with available resources during this challenging time. Yancey County is grateful for the close relationship with the Yancey County Board of Education and appreciates the difficult decisions the schools have made in light of state funding reductions. In FY 2008-09, the County increased the appropriation to the school system some 27%, taking the "Current Expense" for school operations to \$3,000,000. This one-time increase was many times the "usual" annual increase to school funding. Due to the economy and the County's own poor financial health, the County was not in a position to provide an increase in school funding in FY 2009-10 and FY 2010-11 but was able to maintain funding at that 2008-09 level. Upon analyzing the School Systems audit for the past four years, it appears that the school system has been able to apply a significant portion of the additional county funds to their own fund balance reserves. It is for this reason that in FY 2011-12 that the County included a 5% reduction to the Schools as was applied to all other county departments and agencies. This reduction was only applied to the current expense appropriation to Yancey County Schools and was not applied to local supplements, or the JROTC program. Our commitment to Yancey County Schools and its students is a top priority and this budget for FY 2012-13 maintains the appropriation of the prior FY 2011-12. Specifically, this budget appropriates \$2,867,734 the school system's current expense budget. Additionally, the county has maintained the \$100,000 appropriation for local supplements, a \$40,000 appropriation for continuation of the JROTC program, a \$649,500 appropriation to the schools' capital outlay fund, and \$66,696 in timber receipts designated for school use. This is a total commitment to the Yancey County School System of \$3,723,930.

Mayland Community College requested a total allocation of \$314,100 from Yancey County. Mayland Community College, while primarily supported with state funds, operational costs are to be funded equally by the three partner counties of Mitchell, Avery and Yancey. Yancey County has historically funded the community college at or above the level of the other partner counties. However, due to the County's past poor fiscal health and economic conditions, Yancey County's level of support for the community college has fallen far behind that of the other two partner counties. In light of the County's "lost ground" in participation funding and the planned investments at the Yancey Campus of Mayland Community College, including the recently announced "Anspach Advanced Manufacturing School," it is imperative that the County improve its appropriation to the community college. Mayland Community College is funded in this budget at \$313,147, which is \$40,953 more than current year allocation of \$272,194. This appropriation does include \$11,100 for capital outlay.

- 3) **Licence Plate Agency:** In August 2011, the North Carolina License Plate Agency located in Burnsville closed due to the retirement of the private state contract operator. After the N.C. Division of Motor Vehicles advertised and interviewed many private sector applicants to take on the operation of the LPA, the DMV determined that operation by a private sector contractor was not a viable option for a Yancey County office. After much citizen outcry over the loss of this needed public service, the Yancey County Commissioners authorized county staff to approach the DMV regarding possible operation of the LPA as an agency of Yancey County government. In

late May 2012, the DMV approved an application from Yancey County to operate the LPA in Burnsville and county staff is working with DMV on the logistics and planning to open the Yancey County License Plate Agency. This agency will be a new department of County government. Although performing a State service, the employees will be County government employees. It is anticipated that operation costs will be offset by revenue generated by the LPA itself. It is unknown at this time if the LPA will be self-supporting until it is well established. The County will receive a portion of all state-related transactions and will receive all notary fees and other non-state related sales. The County will use existing available office space to reduce operation costs. While exact costs are unknown, it is proposed to appropriate \$106,079 for the startup and operation of the Yancey County License Plate Agency.

- 4) **Comprehensive Recreation Grounds:** Funding is requested to continue work on the Comprehensive Recreation Grounds (CRG) on Whittington Road in western Yancey County near Cane River Middle School. This new park facility has been in the planning for many years and will include multiple youth and adult baseball and soccer facilities, playgrounds, walking trails, river activities, future facilities for volleyball, basketball and tennis and many other active and passive recreation activities. The County has been awarded a Parks and Recreation Trust Fund (PARTF) grant from the State of North Carolina. This funding will allow the County to complete much of the infrastructure components to allow the park to open to the public. Building on the initial grading, grassing and other site work completed in the fall of 2011, elements that will be completed during this fiscal year includes: park road, parking lots, perimeter fencing, river access points and walking trails. The County continues to work in partnership with Grahams Children's Services to secure funding from a variety of sources to construct a large playground, picnic shelters and other needed elements. At this time, it is requested that the County appropriate \$116,000 to match the PARTF dollar-for-dollar grant for CRG development.
- 5) **Community Initiatives:** Yancey County is fortunate to have many beneficial community agencies serving the needs of Yancey County's citizens. This budget continues to support these initiatives by funding the Yancey Rescue Squad, Yancey Firefighters Association, Yancey County Literacy Council, the Middle School Health Centers, Hospice of Yancey County, the Yancey County Humane Society, and Yancey County Youth League and others. These agencies represent what is great about Yancey County – a spirit of community involvement for our citizens.
- 6) **Facility Needs and Capital Outlay:** The County began construction of the long-planned, Micaville Sewer Project in January 2012. Planning on this economic development project has been in process for well over a decade to provide public sewer service to the Micaville area. This \$6 million project is funded by two grants, a \$3 million grant from the N.C. Rural Center and a \$3 million grant from the N.C. Department of Environment and Natural Resources Grant and Loans Program. It is anticipated that construction of the wastewater collection system and the wastewater treatment plant will be completed during the last quarter of the FY 2012-13 budget cycle. This budget provides funding in the contingency line item for initial operation startup and other project costs should they be needed prior to the end of the fiscal year.

An additional capital project is also proposed to be funded in this budget. Renovation of the county-owned building and property that houses the County's Materials Recovery Facility and Convenience Center on Burnsville School Road is necessary due to the U.S. Highway 19-E construction project. A significant portion of the County's property was taken by the N.C. Department of Transportation for the construction project. This loss of nearly 40% of County property will require modifications to the building itself and also exterior site work to modify entrance and exit to the property. Funding in the amount of \$120,000 to renovate and keep this facility in service is requested. Engineering studies are underway and additional funds may be found to be necessary when the engineering report is delivered.

Finally, funding is requested in the amount of \$65,000 for the purchase of at least three new vehicles for the Department of Social Services. These vehicles will replace current vehicles that have far exceeded their useful and dependable service life. Due to limited resources projected to be available, most all other capital equipment needs have been delayed but specific needs will be evaluated on a case by case basis.

BUDGET SUMMARY

Despite these difficult economic times, Yancey County has been able to persevere with the leadership of the Board of Commissioners and the diligent work of county employees. We are pleased this recommended budget for Fiscal Year 2012-2013 addresses the County's fiscal health, provides significant funding for our public schools and community college, supports parks and recreation development, provides needed public services, and supports community initiatives for our citizens.

Respectfully submitted on this the 19th day of June 2012.

NATHAN R. BENNETT,
Yancey County Manager