

# **COUNTY OF YANCEY**

**FY 2011-2012**

## **BUDGET MESSAGE**



**June 23, 2011**

**Nathan R. Bennett  
Yancey County Manager**

# YANCEY COUNTY BUDGET MESSAGE

FISCAL YEAR 2011-2012

*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 2011-2012 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 \$19,492,981. This proposed budget is \$102,315 more than the initial budget adopted for FY 2010-11 and \$78,693 more than the final FY 10-11 budget .

## INTRODUCTION

This budget message will introduce you to Yancey County's Fiscal Year 2011-2012 proposed budget. It will outline how the county plans to utilize its 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. An equally important goal is to continue the administration's serious efforts to restore the general fund balance reserves. The County has been able to maintain mandated and priority services and address important capital needs while maintaining the tax rate at \$0.45 per \$100 valuation. In order to accomplish a balanced budget with no tax increase it was necessary to apply a 5% reduction to current year expenditures across all departments and agencies for this budget. In some instances the reduction is less than 5% in order to secure essential capital equipment or facility repair. There is no employee pay increase included in this budget for the third consecutive year.

The County is faced this coming fiscal year with a 21% increase in the cost of employee medical insurance premiums. Additionally, the North Carolina Local Government Employees' Retirement System has increased the employer's contribution from 6.41% to 6.99% for general employees and to 7.04% for law enforcement employees. Additionally, 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.

County government, unlike most private business sees 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. Expenditures have been reduced as much as possible and 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.

## 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 \$10,270,614 or 53% of the total general fund budget. The sales tax projection for the county appears to have leveled 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.

## MAJOR INITIATIVES AND EXPENDITURES

Yancey County, as with many other governments, both state and local, has experienced worsening economic conditions over the past few years. 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 support community initiatives. Specifically, our proposed budget addresses these issues as follows:

- 1) **Fiscal Control and Financial Stability:** At the end of FY 2010, Yancey County ranked last in the state in the amount of fund balance reserves available for appropriation at 1.62% (\$284,595). Although still below the state requirement of 8% available, this represented a drastic improvement from the negative 9% available in the prior year. 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 will add an additional 2% to the fund balance reserve by the end of FY 11-12. Together with the anticipated gains from the current year, the administration believes the fund balance reserve will be near 5% available. That will represent a 14% swing in our fund balance reserve available. This has been a difficult task with staff making personal and professional sacrifices, delayed facility maintenance and vehicle replacement but a goal that absolutely has to be accomplished.
  
- 2) **Public Schools and Education:** Yancey County Schools has done 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 three 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 the 5% reduction applied to all other county departments and agencies also be applied to the current expense appropriation to Yancey County Schools. This is a reduction of \$132,266. While this reduction is not made lightly, it is necessary in order for the County to be able to address other critical needs within county government and is an amount the schools can offset with fund balance reserves if necessary. Our commitment to Yancey County Schools and its students is a top priority and this budget specifically 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 \$612,000 appropriation to the schools' capital outlay fund, and \$82,824 in timber receipts designated for school use. This is a total commitment to the Yancey County School System of \$3,702,558.

Mayland Community College requested a total allocation of \$350,000 from Yancey County. Mayland Community College is funded in this budget at \$272,194, which is \$14,326 or 5% less than current year allocation of \$286,520. This appropriation does include \$31,200 for capital outlay. The County is unfortunately not in a position to supplant the loss of state funding to Mayland or the public schools. It is hoped that County revenue will increase, the County's reserve fund will be restored and appropriations to these education institutions will once again be a top priority.

- 3) **Public Library**: One of the most important items funded in this budget is the new Yancey County Public Library on School Circle. The renovation of this historic structure is nearing completion and is expected to open for business by mid-July. Community volunteers have worked diligently on this project for 10 years to restore the former Yancey Collegiate Institute facility for use as the public library. In 2010, the County secured federally-subsidized bond financing in the amount of \$990,000 to complete this project from a program called Recovery Zone Economic Development Bonds. Upon completion of the facility, due to its larger size and expanded public computer center and other features, the County expects a modest increase in the operational costs for the facility. While those exact costs are unknown, it is proposed to increase the appropriation to the Public Library from the current \$85,721 to \$104,660. This recommended amount is less than the request from the regional library director of \$130,798. Upon analysis of actual costs once the facility is open, a further determination will be made as to whether additional county funding may be necessary and such findings will be reviewed with the Board of Commissioners at that time. In addition to funding for the new library, it is proposed that measures to stabilize the current library structure on the Town Square be taken to ensure the

facility is available for future County use. This budget appropriates \$25,000 for a new roof for the current library facility. This has been identified and recommended as a paramount necessity by a feasibility study completed earlier this year.

- 4) **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 at 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. As with all other departments and agencies, these appropriations were reduced 5% from the current year allocation.
  
- 5) **Facility Needs and Capital Outlay:** The County has received confirmation from the N.C. Department of Environment and Natural Resources, and other state and federal regulatory agencies, that all permits and approvals have been secured to begin construction of the East Yancey Sewer System. 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. This budget does provide for funding for the required local match from the County in the amount of \$170,000. An additional match of \$170,000 is required by the Town of Burnsville. Additionally, all easements and rights-of-way acquisitions have also been completed, and the project is ready to go to bid for construction.

An additional capital project is also proposed to be funded in this budget. Renovation of the county-owned building that housed the former Yancey Community Medical Center on Pensacola Road for use of new offices for the Yancey County Department of Social Services is included in this budget. This project is very necessary due to the deteriorating conditions of current county-owned modular facilities on Oak Crest Drive and the severely inadequate leased private facility in East Burnsville. This project will combine all DSS units into one county-owned facility. This facility has nearly 30% more square feet and will lend itself to a consolidation of currently required duplicated services. It is expected there will be considerable financial savings in utility costs, staff costs, elimination of private lease costs, and others. Funding in the amount of \$500,000 to renovate and bring this facility back into service is requested. The State of North Carolina will also share in the costs of this renovation over an amortized payback of several years.

Finally, funded is requested to begin the site preparation work of the Comprehensive Recreation Grounds on Whittington Road in western Yancey County near Cane River Middle School. The County is working in partnership with Grahams Children's Services to secure funding from a variety of sources including the N.C. Parks and Recreation Trust Fund, community foundations, and others. Grahams has recently secured \$30,000 in grant funds from the Janirve Foundation for

the CRG project. At this time, it is requested that the County appropriate \$53,697 for CRG development.

Funding is requested in the amount of \$25,000 for the lease of three new vehicles for the Sheriff's Department. The three vehicles relieved from use in the Sheriff's Department will be redistributed for use by other county agencies. Due to limited resources projected to be available, most all other capital equipment needs such as purchase of computers and new vehicles have been delayed.

### **BUDGET SUMMARY**

Despite economic hardships, through the leadership of the Board of Commissioners and the diligent work of county employees, we are pleased this recommended budget for Fiscal Year 2011-2012 addresses the County's fiscal health, supports our schools and public library, addresses much needed facility improvements and funds community initiatives for our citizens.

Respectfully submitted on this the 23<sup>rd</sup> day of June 2011.

  
NATHAN R. BENNETT,  
Yancey County Manager