

ALLEGHANY COUNTY
County Manager's Fiscal Year 2011-2012
Budget Message

June 1, 2011

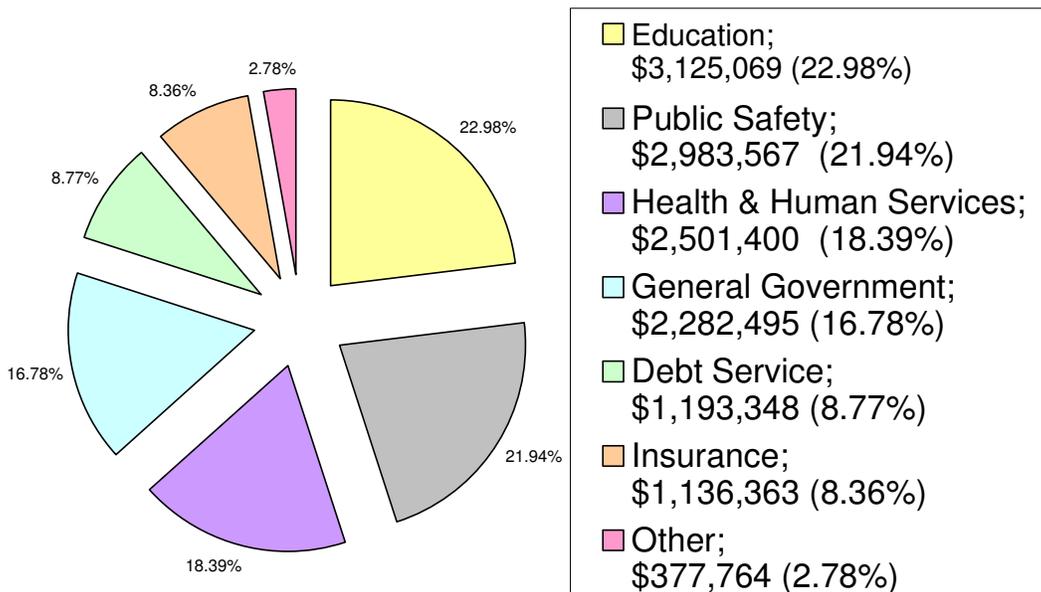
Alleghany County Commissioners,

The recommended 2011-12 Annual Budget for Alleghany County is in the amount of \$13,600,007. This recommendation constitutes an approximate decrease of 1.03% (\$141,896) under the FY 10-11 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.

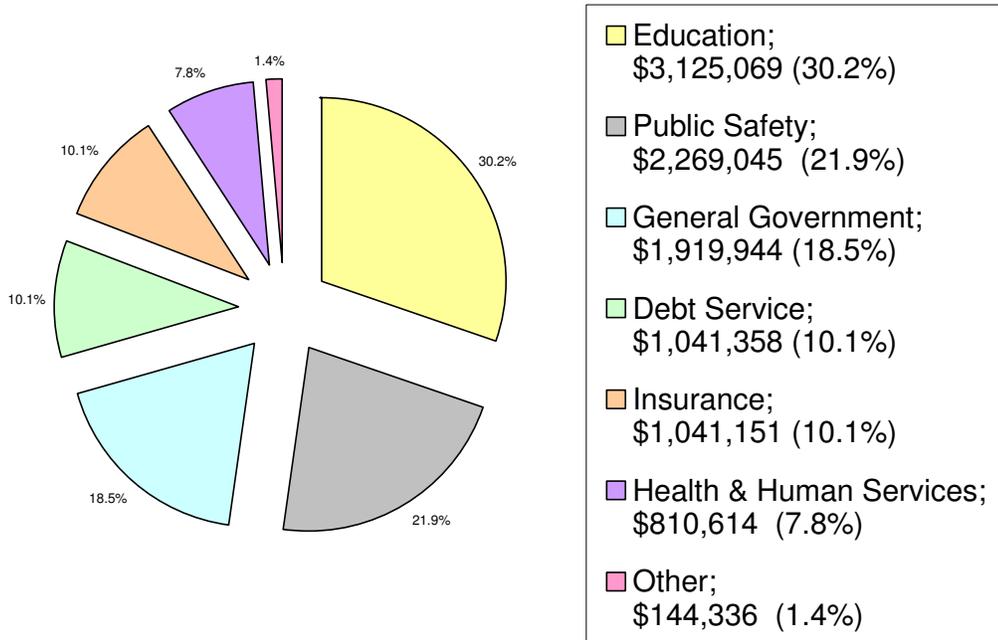
EXPENDITURES HIGHLIGHTS

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- \$13,600,007



Property Tax, Sales Tax, Undesignated Revenues Expended By Function -
\$10,351,517



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 11-12 budget includes one recommended change to personnel. New Tax Administrator Rita Miller has requested that the vacant Assistant Tax Administrator (Grade 71 - \$38,968.44) position be changed to an Assistant Tax Collector position. It is proposed that the new Assistant Tax Collector position be classified at a Grade 66 with a starting salary of \$30,533.44. If the new Assistant Tax Collector position is granted, then the position will be filled by promoting within the Tax Office. The vacancy created by this in-house promotion will not be filled effectively reducing the overall number of full-time employees working in the Tax Office down from seven to six.

Although I have not recommended any other personnel changes or pay increases at this time, there are several issues that will need to be dealt with in the future. These issues can be broken down into three areas. These areas are 1. Completion of position grade reviews / modifications that began in FY 09-10. 2. Cost of living adjustments 3. Longevity issues.

In FY 09-10 the Alleghany County Board of Commissioners made position grade modifications within Administration, Finance, Emergency Management, Tax Office, Mapping/E911 Office, Register of Deeds Office, Inspections, Planning, Recreation, EMS, Transportation Administration, Soil & Water, Public Works, Social Services and Board of Elections (FY 10-11). These changes have positively impacted approximately 63.2% of our full-time workforce leaving the remaining 36.8% unaddressed at this point. The positions that have not been reviewed at this point are full & part-time Deputies, full & part-time Dispatchers, full & part-time Jailers, full and part-time Transportation Drivers, Recreation part-time workers, the Janitorial position, Transportation Dispatcher, Building Inspector, the Veteran's Service Officer, the County Manager, the Tax Administrator, the elected Register of Deeds and the elected Sheriff.

Due to funding constraints, the FY 11-12 proposed budget does not include a cost of living adjustment for employees. The last cost of living adjustment given to employees was in FY 08-09. Cost of living adjustments are traditionally granted as an adjustment to the position grades by increasing the starting salaries of all grades. Increasing the starting pay through cost of living adjustments provides an increase to the specific employee while also ensuring that the starting pay for that position remains relatively competitive.

Alleghany County's current longevity plan pays employees an additional 1% of their base salary for 5-9 years of service, 2% of their base salary for 10-14 years of service, 3% of their base salary for 15-19 years of service and 4% of their base salary for 20+ years of service. The current system recognizes years of service in five-year increments. There have been multiple examples of where a newly hired employee starts at the same pay as an employee with two - four years of experience. In an attempt to recognize these inequities and to retain Jailers, the Alleghany County Board of Commissioners gave a 7% longevity raise to existing Jailers in FY 08-09 and a 1.875% longevity raise to the Lieutenant Jailer in FY 09-10. The Board also gave the Soil & Water Technician II a 3% longevity increase in FY 09-10 along with the grade adjustment. There have been no other employees that have received longevity adjustments above the County's current longevity plan within this same time frame.

I highly recommend that the Alleghany County Board of Commissioners begin a planning process on how to deal with the aforementioned inequities / issues. I believe the first priority is to review the grade classifications for the remaining 36.8% of the County's workforce. The County should then examine its longevity policy to ensure that it adequately retains our experienced workforce and is impartially applied to all employees. Finally the County should examine its ability to give cost of living adjustments on an annual basis in an attempt to keep the salaries on pace with ongoing economic conditions. The final plan should address how to adequately recruit and retain personnel taking into consideration economic resources and conditions. The plan should be implemented in a consistent and objective manner.

INSURANCE / RETIREMENT

Alleghany County participates in the NC Association of County Commissioners' Liability and Property and Workers' Compensation insurance pools. Health Benefits have been privately contracted directly with CIGNA. Alleghany County also carries insurance involving employee bonds, inmate hospitalization and unemployment. Alleghany County's overall FY 11-12 insurance is proposed to increase by \$63,704 or 5.94% over the amended FY 10-11 budget. The County contributes 6.99% to general employee retirement and 7.04% to law enforcement retirement.

CAPITAL

Alleghany County has some necessary capital recommended to be addressed in FY 11-12. The following table itemizes the proposed FY 11-12 capital purchases.

Department	Description	Total Amount
Tax Administration	3 Computers / Towers	\$2,400
Public Works	¾ Ton truck w/ utility bed & snow blade connection	\$27,000
	Energy efficient lighting for six buildings	\$32,920
Building Inspections	4x4 SUV	\$19,412
EMS	2 Striker Pro Stair Chairs	\$4,930
Social Services	2 Computers	\$2,075
	TOTAL	\$88,737

CAPITAL IMPROVEMENTS

Alleghany County has some necessary capital improvements recommended to be addressed in FY 11-12. The following table exhibits the recommended General Fund capital improvements.

Location	Description	Total Amount
Administration	Parking lot repair	\$1,100
Ext., Transp., S&W	Parking lot repair	\$600
WCC/BDC	Parking lot repair	\$1,200
Fender Mtn.	Repair access road to Fender	\$7,000
	TOTAL	\$9,900

MAJOR CAPITAL PROJECTS

There are four major capital projects that the Board of Commissioners have either funded or approved to proceed forward.

\$3,339,585 has been borrowed through the Qualified School Construction Bond program in order to build/renovate new classrooms, a gymnasium, and a cafeteria at Glade Creek Elementary School. \$284,043 has been allocated in the debt service budget in order to make the required annual payment in FY 11-12. The Board approved an additional loan of \$418,230 through the Qualified School Construction Bond program in FY 10-11 for the Glade Creek Elementary School project. \$51,998 has been allocated in the debt service budget in order to make the required annual payment in FY 11-12. The \$51,998 payment will be reimbursed to the County by the Board of Education and Federal Government (interest portion).

Alleghany County is also proceeding with the construction of a new well and septic system to service Glade Creek Elementary School. The total approved project amount is \$837,350. The project is to be funded by a \$280,000 USDA grant, a \$520,000 USDA loan and an allocation of \$37,350 from Alleghany County. Since the loan will not be closed until December 2011, the debt service payment of approximately \$25,000 will not need to be budgeted until FY 12-13.

The septic system serving Piney Creek Elementary School is currently under moratorium from the North Carolina Department of Environment and Natural Resources. Alleghany County has submitted a \$20,000 planning grant application to the North Carolina Rural Center. The proposed total project cost for planning is \$30,000. A projected cost to permanently repair the septic system will be unknown until the environmental and engineering studies are complete.

Alleghany County has completed the Safety Training Facility at a cost of \$700,755. The County has committed \$175,000 in cash towards the project and has received \$190,000 in grant funds from USDA. The remaining \$335,755 has been borrowed from USDA. The first \$17,600 payment has been appropriated in the FY 11-12 debt service budget.

Alleghany County has been awarded \$172,479 submitted from the NC Parks & Recreation Trust Fund to build a park consisting of six multi-use fields, a walking trail, restroom/concessions and a picnic shelter. The proposed project cost is \$344,959 leaving \$172,480 to be funded by the County. County funds are not proposed to be budgeted for FY 11-12. In order to receive the grant funds, the project must be completed and closed out by October 2013.

ALLEGHANY COUNTY BOARD OF EDUCATION

Current Expense

The Alleghany County Board of Education's current expense funding from the County has been held level for two years. The schools have managed to operate with level funding from the County because they made significant cuts in FY 09-10 along with receiving federal stimulus funding in fiscal years 09-10 & 10-11. Federal stimulus funding will no longer be available to either the State or to the Board of Education in FY 11-12. The Board of Education attempted to prepare itself for the loss of the federal stimulus funding by saving funds for the last two years. The Board of Education will be able to allocate \$500,000 of saving in FY 11-12 to balance their budget. The State legislature is now in session deciding the level of funding Alleghany County schools will receive in FY 11-12. It is very likely that the school system will receive significant cuts from the State in FY 11-12. The exact details of these reductions are unknown at this time. It is proposed to increase the Alleghany County Board of Education's FY 11-12 funding by \$100,000 (4%) to \$2,598,675.

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 new methodology for calculating the mandated portion to schools. It is estimated that the mandated portion that will go to the schools is \$426,394 in FY 11-12. Adding in the \$100 of interest these funds will generate, new funds going to the Schools in FY 11-12 will be \$426,494. Note: This number does not include any rollover funds from the previous year.

SPECIAL APPROPRIATIONS

There are several agencies that operate under the special appropriations category. I have divided these groups into four categories: 1. Grants & Mandates 2. Volunteer Safety 3. Primary Core Functions 4. Secondary Functions.

Grants & Mandates

This category includes the Criminal Justice Partnership Program, Juvenile Crime Prevention Council, occupancy tax transfer, CSC fines & forts, deed stamps, transfer to register of deeds enhancement fund and transfer to re-evaluation fund. The CJPP program is 100% grant funded and the JCPC program is mainly funded through grant sources. The remaining items are mandated by law. Although re-evaluation is mandated by law, how it is paid for is not part of the mandate. Alleghany County has traditionally set aside \$40,000 per year in order to pay for the re-evaluation. The \$40,000 was not set aside in the current FY 10-11. I have proposed to budget the \$40,000 for FY 11-12.

A new item that has been added to this category is “Channel 50/21 Support”. Prior to January 1, 2007, Alleghany County had franchise agreements with Alleghany Cablevision and Charter Communications where the County received franchise taxes. The cable companies paid the franchise taxes directly to Alleghany County. Effective January 1, 2007 a new state law “Article 42 – State Franchise for Cable Television Service” came into effect. The State began collecting and distributing cable franchise taxes to the Counties after January 1, 2007. These allocations were deposited directly into our bank account followed by a confirmation email from the State showing the total amount deposited. Beginning July 1, 2007 the State began distributing cable franchise taxes and PEG channel funds to the Counties (1st payment received in one lump sum in December 2007). An email was sent confirming the total amount deposited. In order to get a detail of the funds deposited, the Finance Office needed to go to the State Treasurer’s Web site to download the detailed allocation. Since the specifics of Article 42 was unknown and we did not have the deposit detail, Alleghany County has been withholding funds mandated to Alleghany County Television (ACTV) since December 2007. \$74,117 has been budgeted in the “Channel 50/21 support” line item. \$36,000 out of the \$74,117 represents funds that will be received in FY 11-12 that is mandated to ACTV. The remaining \$38,117 is the calculated amount that should have been paid to ACTV since December 2007. (Note: \$18,692 of the \$38,117 may have to go back to the State because Alleghany County erroneously received funding for two PEG channels in FY 09-10). It is anticipated that Alleghany County will receive \$52,000 in cable franchise and PEG channel revenues for FY 11-12.

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 be frozen at the FY 10-11 level. It is recommended that the Fire Commission receive \$33,100 in FY 11-12. \$10,600 of the \$33,100 will be used to purchase supplemental accidental / workers compensation for the Fire Departments and the Rescue Squad. The Fire Commission’s \$90,000 request for grant matching funds will be addressed in the E911 budget.

Primary Core Functions

This category includes the Alleghany County Public Library, Appalachian District Health Department, Smoky Mountain Center (local mental health department), Alleghany County Council on Aging, Wilkes Community College (Alleghany County Campus), NC Forestry Service and the Alleghany County Group Homes (as designated by the Board in FY 09-10). 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. Major cuts to the Library would have a detrimental effect on our citizens’ access to knowledge, art and entertainment. 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. Significant cuts to COA would have an extreme impact on the majority of services provided to Alleghany’s expanding elderly population.

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. Any major cuts to WCC would have a significant impact on our high school, adult and employee/employer educational opportunities. The NC Forestry Service is the only free provider of forestry management planning to our community 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. I am recommending level funding for all of these agencies with the exception of Wilkes Community College and the NC Forestry Services.

Wilkes Community College (WCC) and Alleghany High School has had great success in providing opportunities for adult and high school students. The County has completed the Multi-Skills Facility renovation in the basement of WCC. I am recommending that \$100,000 (increase of \$2,997 or 3.1%) be appropriated to Wilkes Community College to help offset the additional utility cost of operating the Multi-Skills Facility.

I am recommending that \$64,766 (increase of \$11,380 or 21.3%) be appropriated to the NC Forestry Service. Alleghany County funds 40% of the local NC Forestry Service's budget. The proposed increase is recommended to fund a new 1 ton truck with a pump, tank and slip on unit.

Secondary Functions

Funded entities in this category include the Blue Ridge Opportunity Commission (BROC), Alleghany Arts Council, Alleghany Planning Committee, Alleghany County Health Advisory Council, Alleghany Family Resource Center, Alleghany Connections, Alleghany Wellness Center, American Red Cross, Wilkes Center for Deaf, Appalachian Senior Programs and Firework / Summer Jamboree. It is proposed that the funding for these entities remain at the FY 10-11 level.

Alleghany Memorial Hospital has a new request to the County in the amount of \$200,000. The Hospital is requesting the funds to recruit up to two physicians to our community. One physician would be to replace a local primary care physician that is leaving in July 2011. The other physician is to be one of three hospitalists needed to operate a Hospitalists Program. A Hospitalists Program is an extremely valuable program if our community desires to have a hospital that can actually admit patients overnight. A Hospitalists Program provides that physicians will be available 24 hours a day – 7 days a week to make rounds to overnight patients and to respond to emergency situations. Physicians are very unlikely to admit their patients to a hospital without some type of Hospitalists Program. If Alleghany Memorial Hospital loses its Hospitalists Program, then they will eventually need to either get significant subsidy from government on an annual basis or they will eventually have to shut down that section of the hospital. I am recommending that Alleghany County fund \$100,000 towards the recruitment of a hospitalists. I recommend that Alleghany County request to borrow \$100,000 at zero interest from the Blue Ridge Electric or Skyline Telephone revolving loan fund to be paid back over a five year period. The debt service payment for the loan would be \$20,000 per year for five years.

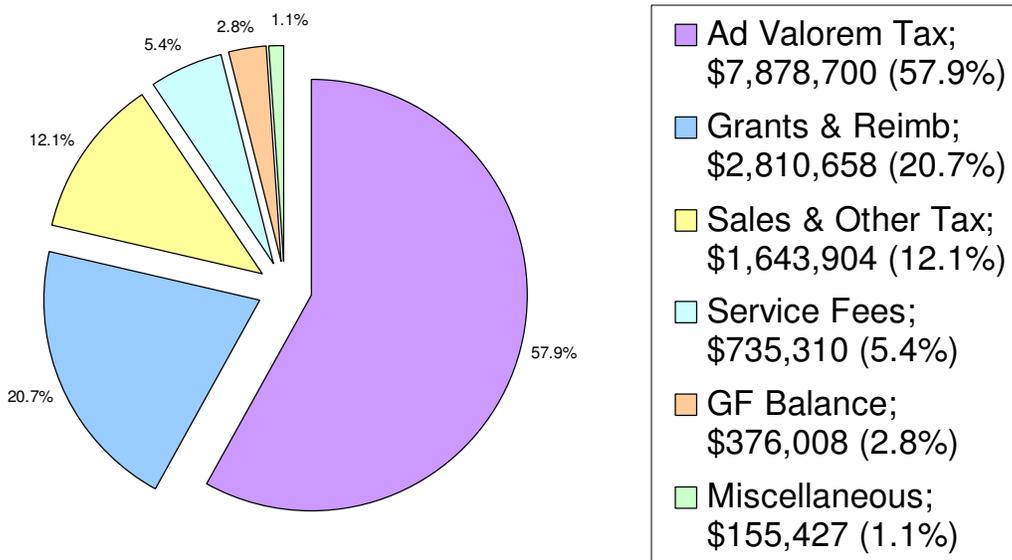
At this point I am not proposing that the Alleghany Chamber of Commerce or the Blue Ridge Business Development Center (BDC) be funded out of the General Fund. I am requesting that the Board of Commissioners seriously consider some type of funding for these two organizations through the economic development fund. It is estimated that there will be approximately \$96,712 available in the Economic Development Fund for recruitment. This fund should be used for one-time expenditures since there is not a sustaining revenue source for this fund.

Last year Alleghany County cut funding to the Chamber of Commerce with the anticipation that they would receive additional funding when the occupancy tax is increased through the General Assembly from 3% to 6%. Unfortunately at this point it does not seem likely that the increase in occupancy tax will occur in the next couple of years. The Board of Commissioners recently awarded the Chamber of Commerce \$4,000 in order for them to maintain full operations over the summer. If the County does not seriously consider funding the Chamber some appropriation, then I believe it very likely that they will be appearing before the Board within the next fiscal year with a similar request.

Alleghany County and the Blue Ridge Business Development Center (BDC) currently have an "Operation Management Agreement" that expires May 31st, 2013. In exchange for the space provided by the County, the BDC "shall continuously strive to incubate, create and support businesses within Alleghany County". The services to be offered by the BDC are "technology based services that will include public education & access programs, computer software / hardware consultation services, marketing consultation services and web application consultation services". The BDC has done an excellent job going above and beyond its contractual requirements in providing these services to the community. In the past several years the BDC has on average logged in 2,200 public internet access visits per year, created the Tech-Smart Computer Training Classes provided free to the public, serviced over 1,600 business computers per year, serviced over 325 home computers per year, provided on average 325 hours per year of business consulting, helped develop dozens of business plans, assisted with 14 business loans in 2010 and currently provides office/work space to seventeen tenants. The current BDC Manager spends a significant portion of his time managing the facility and technology services. The BDC's request for funding will allow the organization to hire an assistant that can take on more of the day-to-day management of the facility. This will allow the BDC Manager to spend more time on business development and recruitment.

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.

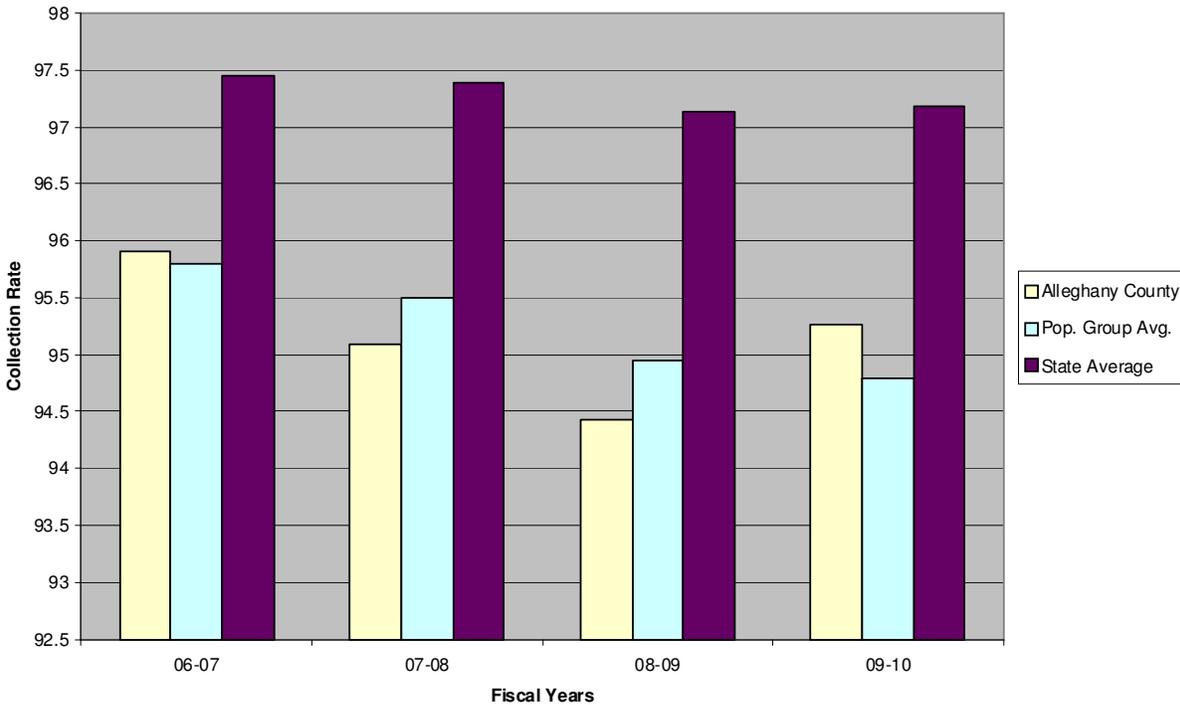


AD VALOREM TAXES

Approximately 57.9% (\$7,878,700) of the County's budget is proposed to be funded by the property tax. The proposed \$7,878,700 is comprised of \$7,600,000 from FY 11-12 property taxes, \$210,000 from prior year taxes and \$68,700 from credit card fees and penalties/interests on late payments.

The taxable base is projected to be \$1,772,925,561. 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 09-10 audited collection rate was 95.26%. Therefore it is recommended that a 95.26% collection rate be applied when estimating property tax revenues. 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 20.7% (\$2,810,658) of the County’s proposed revenues. Major reimbursement/grant highlights include \$1,330,446 in DSS administration reimbursements, \$357,961 in Child Development Administration, \$229,465 in Medicaid hold harmless payments, \$127,725 (85% of costs) for the administration of the Transportation System and \$51,998 reimbursement from the Board of Education and Federal Government to offset additional Glade Creek School Debt.

This category also includes revenue items such as other reimbursements/grants for Criminal Justice Partnership Program, Juvenile Crime Prevention Council, Social Services, Veteran’s Administration, Emergency Management, Soil & Water, Council on Aging, NW Library, Roaring Gap deputies, dispatch salary, pin equipment, gas reimbursements and all transfers from other funds.

Alleghany County has been awarded \$32,920 from the North Carolina Energy Office to upgrade 563 light fixtures in four County and two Town facilities. These energy efficient fixtures will reduce energy costs by \$13,307 annually.

SALES & OTHER TAXES

Sales and other taxes account for approximately 12.1% (\$1,643,904) of the County's proposed revenues. Alleghany County receives tax revenues from the occupancy tax, the beer/wine tax, the ABC liquor tax, cable franchise tax and sales taxes Article 39 (1 cent), Article 40 (1/2 cent) and Article 42 (1/2 cent).

The State wine & beer tax should remain constant. There has been a decline in occupancy tax and ABC revenues. The cable franchise tax is projected to increase for FY 11-12 due to an increase in PEG channel programming support funds.

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). Alleghany County is required to hold the Town of Sparta harmless for the Medicaid swap with the State out of these funds. Current FY 10-11 is the first year that Alleghany County has seen growth in this sales tax in several years. It is projected that the Article 39 sales tax will generate \$600,275 of revenue in FY 11-12. This constitutes a modest 2% increase over current year projected receipts.

Article 42 is a 1/2 cent sales tax revenue that traditionally has been based on Statewide sales and distributed to the Counties based on population. This tax is now distributed to the counties based on sales generated directly in Alleghany County (point of delivery). Since the County normally receives more funds based on Statewide sales, Alleghany County must hold the Town of Sparta harmless for any losses attributed to switching the distribution methodology. It is projected that the Article 42 sales tax will generate \$350,574 of revenue in FY 11-12. This constitutes a modest 2% increase over current year projected receipts.

Article 40 is a 1/2 cent sales tax revenue that is based on Statewide sales and distributed to the Counties based on population. Article 40 is the only sales tax that is not part of the Medicaid swap deal. Current FY 10-11 is the first year that Alleghany County has seen growth in this sales tax in several years. The NC Association of County Commissioners is recommending that Counties budget 3-4% growth in Article 40 revenues. I am recommending that we budget \$543,055. This constitutes a modest 2% increase over current projected receipts.

SERVICE FEES

Service fees account for approximately 5.4% (\$735,310) of the County's proposed revenues. Alleghany County has seen a slight drop in Register of Deeds revenues but Building Inspections revenues have seen a slight increase over the past several years. I believe development revenues have leveled off to the point that we should not see anymore significant drops in the future. Other revenues included in this category are line items such as 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 10-11 receipts.

It is projected that FY 10-11 EMS receipts will be \$50,000 more than the budgeted amount. This increase is due to receiving back billings from the previous year. It is projected that EMS revenues will be \$360,000 in FY 11-12. The increase is due to anticipated current year revenues that will not be received until next year.

\$45,000 has been budgeted for FY 11-12 boarding of federal prisoners. This is a volatile revenue line and is difficult to predict. It is projected that Alleghany County will receive \$86,150 in the current year. It is unknown at this time how proposed new State laws regarding misdemeanants will impact the jail operations.

MISCELLANEOUS & GENERAL FUND BALANCE

Miscellaneous revenues account for approximately 1.1% (\$155,427) of the County's proposed revenues. These revenues include interest earned on investments, lottery proceeds, CSC fines and forts, miscellaneous revenues, snack revenues and the kids vote program. Due to extremely low interest rates, it is projected that interest on investments will be \$7,000 in FY 11-12. Currently it is estimated that Alleghany County will receive \$99,992 in lottery proceeds in FY 11-12. The final lottery amount received will be dictated by the State budget process. The CSC fines / forfeitures and miscellaneous revenues have been reduced to reflect current year receipts. All other revenues will remain fairly constant.

General Fund balance appropriation accounts for approximately 2.8% (\$376,008) of the proposed revenues.

GENERAL FUND BALANCE & TAXATION RECOMMENDATIONS

I am projecting Alleghany County's General Fund expenditures in FY 10-11 to be \$13,211,599. Alleghany County's fund balance at the end of FY 10-11 is projected to be \$2,501,450 or 18.93%. I have requested to use \$376,008 of the General Fund balance in the proposed FY 11-12 budget. History has shown us that normally \$200,000 to \$400,000 of General Fund balance appropriation is not actually utilized. If history continues to repeat itself, then there is a good chance that the proposed \$376,008 will not have to be used in FY 11-12 leaving the County's fund balance at around 18 to 19 percent. A 19% fund balance represents approximately 2.28 months of operational expenses. I do not recommend to the Board dropping the fund balance below two months of operational expenses. Significantly dropping the County's fund balance below two months of operational expenses could cause cash flow issues, negatively impact our financial ratings and could erode the overall financial stability of County operations.

In order to maintain the County's finances, to meet the needs identified in this budget message and to prepare ourselves for future budgetary needs, I am requesting the Board to implement a tax rate of \$0.45 per \$100 of value within the County. This request represents a \$0.02 tax increase.

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 11-12 proposed operating budget is \$771,988. This proposal constitutes an approximate increase of 2.4% (\$17,815) over the FY 10-11 amended budget of \$754,173. There are no major operational changes proposed for FY 11-12. There are not major capital expenditures planned for FY 11-12.

EMERGENCY 911 FUND

The FY 11-12 E911 proposed budget is \$207,238. The new E911 system has been installed and there are no major operational changes proposed for FY 11-12. Last year the General Assembly allowed Counties to use up to 50% of the E911 fund balance for any public safety purpose. Alleghany County chose in the current FY 10-11 to allocate \$90,000 to the volunteer fire departments and the rescue squad to act as matching funds to their annual grant applications for equipment. Alleghany County also chose to put a new roof onto the Alleghany County Law Enforcement Center utilizing these funds. There is \$102,077 remaining to be spent on any “public safety purpose”. Counties have until the end of FY 11-12 to spend these funds. The following table illustrates my recommendations on how the \$102,077 should be expended in FY 11-12.

Entity	Purpose	Amount
Cherry Lane VFD	Act as matching funds towards annual equipment grant application	\$13,551
Glade Creek VFD	Act as matching funds towards annual equipment grant application	\$13,451
Laurel Springs VFD	Act as matching funds towards annual equipment grant application	\$8,976
Piney Creek VFD	Act as matching funds towards annual equipment grant application	\$11,825
Sparta – Alleghany VFD	Act as matching funds towards annual equipment grant application	\$15,000
Alleghany Rescue Squad	Act as matching funds towards annual equipment grant application	\$15,000
Alleghany County / Alleghany Hospital	Install walk in cooler at Hospital for the operation of a morgue	\$17,366
Alleghany County E911 Center	Pay for programming costs when County changes to low band frequency. Hire consulting firm to assist on developing plan that meets new E911 standards.	\$6,908
Total		\$102,077

TRANSPORTATION OPERATIONAL FUND

The FY 11-12 Transportation Operational Fund Budget is proposed to be \$471,945. This is a \$89,739 (23.5%) increase over the FY 10-11 amended budget. The Fund is operated as a revenue based fund relying on its own revenues to pay for expenses.

Highlights of this fund include a \$42,500 Elderly and Disabled Transportation Program grant, \$46,000 Rural General Public grant, \$7,500 Work First Transportation grant and \$141,975 in a capital grant. New grants include \$11,000 to offset operational costs for a new elderly and disabled van (“ED”) and ARRA funds in the amount of \$9,500 to offset other operational costs.

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

Description	Amount
Two Replacement Lift Vans (\$43,000 each)	\$86,000
Replacement Conversion Van	\$39,700
Replacement Minivan	\$28,750
Logos for 4 Vans	\$1,700
Scanner	\$200
Snow Blower	\$1,400
TOTAL	\$157,750

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

OTHER FUNDS

This category includes other funds such as the Fairgrounds Fund, Economic Development Fund, Drug Agency Fund, Library Fund, Register of Deeds Enhancement Fund, Re-Evaluation Fund, Scattered Site Housing Fund, Soil & Water Fund, School Capital Reserve Fund and all active building funds. These Funds will 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 Alleghany 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
Alleghany County Manager