

ALLEGHANY COUNTY
County Manager's Fiscal Year 2014-2015
Budget Message

June 2, 2014

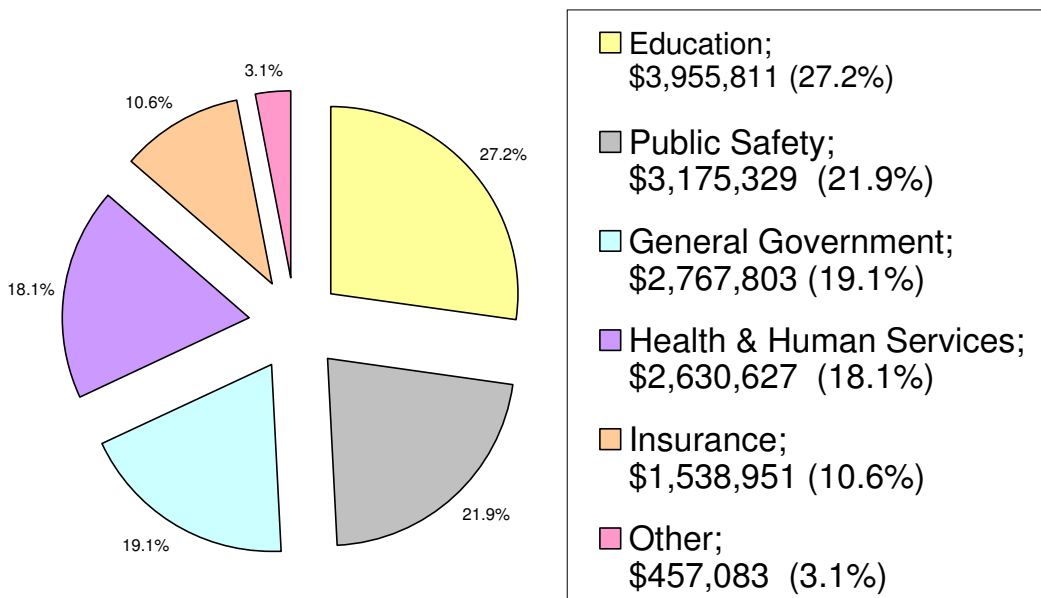
Alleghany County Commissioners,

The proposed Fiscal Year (FY) 2014-15 Annual Budget for Alleghany County is in the amount of \$14,525,604. This proposal constitutes an approximate increase of 1.48% (\$212,222) over the FY 13-14 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. All proposals within this document are based upon a budget maintaining the existing tax rate of \$0.47 per \$100 of value.

EXPENDITURES HIGHLIGHTS

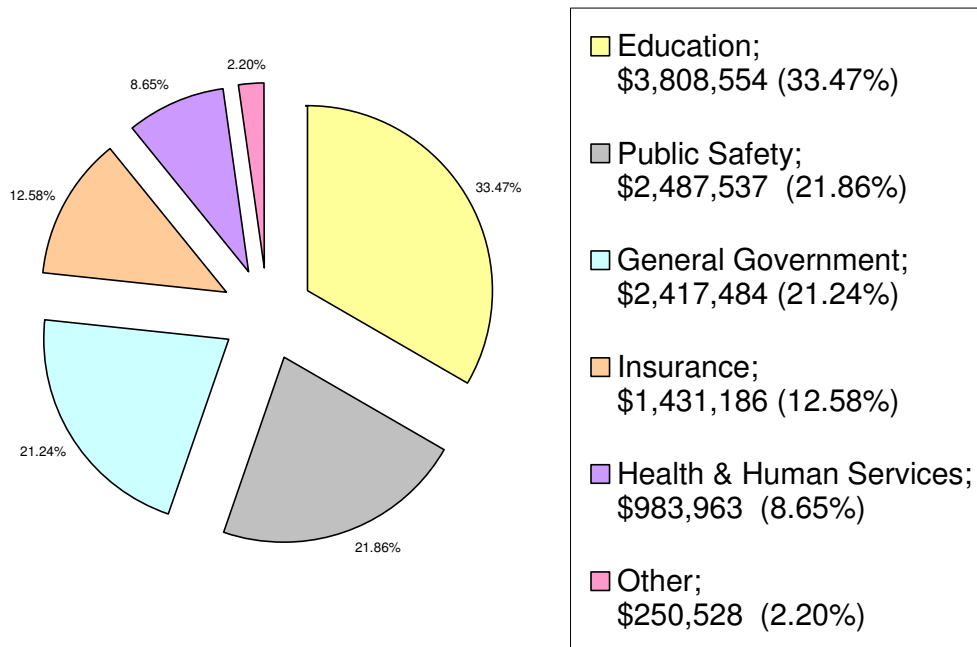
The following pie charts illustrate Alleghany County's proposed "Total Expenditures By Function" and "Property Tax, Sales Tax and Undesignated Revenues Expended By Function".

Total Expenditures By Function- \$14,525,604



Property Tax, Sales Tax, Undesignated Revenues Expended By Function -
\$11,379,252

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 14-15 budget contains personnel recommendations. The recommendations include:

1. Longevity pay plan adjustments
2. Position and grade/pay adjustments

Alleghany County’s current longevity plan pays employees an additional 0.2% (.002) of their base salary for every year of service. This new system was implemented by the Alleghany County Commissioners effective this current Fiscal Year 2013/2014. Recognizing every year of service by 0.2% (.002) creates a small separation in pay between employees with the same job based upon years of service. It is now recommended to increase the separation in pay from 0.2% (.002) to .4% (.004).

The proposed modifications to the existing longevity plan will cost the County's General Fund approximately an additional \$71,228. Approximately \$16,231 will be reimbursed to the County through Social Services programming, Transportation programming and other sources leaving the actual costs to the County's General Fund at approximately \$54,997.

It is recommended that the current Inspector / Planner – Grade 67 be moved to a Grade 68. This recommendation is part of an ongoing plan to replace retiring inspection personnel with other qualified personnel. The current Inspector / Planner will receive Level III inspection certifications in FY 2014/2015. The proposed grade adjustment will cost the County's General Fund approximately an additional \$1,877 (includes FICA and Retirement).

It is recommended that an existing EMS-RSI Shift Supervisor position Grade 67 be modified to include Training Officer functions. The Alleghany County Emergency Services (EMS) system is required to have a qualified Training Officer. Currently Alleghany County employs a qualified Training Officer on a part-time basis. This part-time worker will no longer be available to provide these services in the near future. Alleghany County currently employs one EMS-RSI Shift Supervisor that has received all the certifications necessary to qualify as an EMS Training Officer. (Note: This additional training was accomplished on their own time). It is recommended that a new position title EMS-RSI Shift Supervisor / Training Officer be created at a Grade 69b (\$35,174.17). Promoting the current EMS-RSI Shift Supervisor (Grade 67) to an EMS-RSI Shift Supervisor / Training Officer (Grade 69b) will constitute a 7.56% increase and will cost the General Fund an additional \$2,837.68 (includes FICA & Retirement) in base pay.

The Alleghany County Recreation Department currently employs seasonal workers to perform several duties. Some these positions include lifeguards, field crew supervisors, field crew workers and scorekeepers. Since these positions are seasonal, Alleghany County is legally able to employ these workers at wages that are not consistent with minimum wage requirements. Although this saves money, it has made it difficult to find employees. It is recommended that Lifeguards be paid \$7.25 per hour, Field Crew Supervisors be paid \$7.25 per hour and Field Crew / Score keepers be paid \$5.82 per hour or \$6.13 per hour depending upon their years of service. Additional funds are not being requested. The amount of service hours will be reduced to offset the additional costs.

Although I have not proposed any recommendations at this time to deal with the following situation, I feel obligated to remind the Board about what occurred in FY 09-10. 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 & part-time Transportation Drivers, the Janitorial position, Transportation Dispatcher, the Veteran's Service Officer, the County Manager, the elected Register of Deeds and the elected Sheriff.

Due to the time span that has occurred since the grade modifications mentioned above were approved, practically all departments are beginning to raise issues related to pay rates. The pay rate issues cover a variety of areas. The primary areas of concern relate to positions being underpaid, position Grade changes due to change of duties and position Grade changes due to additional needs within a department. The recommended longevity adjustments within this Budget Message will significantly address issues related to separating pay between years of service. The recommended longevity adjustments do not address issues related to pay rates. I do not recommend addressing pay rate issues on an individual department basis. Addressing pay rate issues on an individual basis causes dissention amongst the various departments and becomes a significant morale issue. If the Board of Commissioners wishes to begin addressing the County pay rate issue, then it is recommended that a comprehensive professional salary study be performed to identify any salary issues for the entire County operations.

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 Blue Cross Blue Shield. Alleghany County also carries insurance involving employee bonds, inmate hospitalization and unemployment. Alleghany County’s overall FY 14-15 insurance is proposed to increase by \$115,622 or 8.12% over the amended FY 13-14 budget.

Alleghany County contracts with Mark III Employee Benefits consulting firm to broker the County’s health insurance plan at a cost of \$15,000 per year. Due to the fact that Alleghany County employees achieved 100% of the goals set forth by the Blue Cross Blue Shield wellness program, Mark III was able to help maintain our current health benefits with only a 6.16% increase. \$5,000 dollars has been budgeted in FY 2014/2015 to implement a more comprehensive wellness program.

The property/liability insurance has increased by \$507 or 0.47%. The workers’ compensation has decreased by \$2,088 or 2%. The inmate liability insurance is projected to increase by \$409 or 5%. Employee bonds and unemployment insurance are projected to remain the same. The County contributes 7.07% to general employee retirement and 7.41% to law enforcement retirement.

CAPITAL & CAPITAL IMPROVEMENTS

There are capital and capital improvement needs that should be addressed in FY 14-15. The following table itemizes the proposed FY 14-15 capital & improvements.

Department	Description	Total Amount
Governing Bodies	8 Goose-Neck Microphones	\$6,824
Administration	Mini-Van	\$22,668
Recreation	Utility Vehicle - \$5,000 Field Brick Dust - \$1,332	\$6,332
Tax Administration	4 Computers	\$4,800

Mapping	2 Computers	\$6,878
Register of Deeds	Work table, shelving, plat sleeves	\$3,500
Public Buildings	Library Metal Roof - \$14,000 COA Paving - \$17,500	\$31,500
EMS	4 Scoop Stretchers	\$2,420
Cooperative Extension	Stove & Microwave	\$915
Veterans Office	Computer	\$970
Social Services	Mini-Van	\$22,365
Administration Social Services County Office Building Transfer Facility Duncan Recreation	27 Video Cameras 24 Panic Buttons 7 Door Alarms	\$31,080
WCC – Allegany Campus	Video Security	3,920
	TOTAL	\$144,172

ALLEGHANY COUNTY BOARD OF EDUCATION

Current Expense

Increased funding from the County to the Alleghany County Board of Education’s current expense has been minimal or has been reduced in the last 5 years. In FY 08-09, the schools received \$2,498,675. In FY 09-10, the schools were held at level funding at an amount of \$2,498,675. In FY 10-11, the schools received an additional \$60,000 or 2.4% for a total of \$2,558,675. In FY 11-12, the schools received an additional \$40,000 or 1.56% for a total of \$2,598,675. In FY 12-13, school funding was reduced back down to \$2,468,742. In current FY 13-14, current expense funding was held level at \$2,468,742. The County also contributed an additional \$100,000 towards security needs.

The Alleghany County Board of Education has been able to continue providing quality education with level funding from the County within this time frame by making budget cuts, receiving Federal stimulus funds and acquiring a substantial amount of grant funds. It is currently proposed to allocate \$2,518,117 to the schools for FY 14-15. This proposal constitutes a \$49,375 or 2% increase. It is also recommended to allocate an additional \$66,000 to be used for additional security needs.

(Note: Alleghany County assumed approximately \$6,270,000 in principle school debt during this same time period.)

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 \$447,000 in FY 14-15. Subtracting the \$100 of service fees required to maintain this separate fund, new funds going to the schools for capital in FY 14-15 will be \$446,900. (Note: This number does not include any rollover funds from the previous year.)

SPECIAL APPROPRIATIONS

There are many agencies that have requested funds under the special appropriations category. I have divided these groups into five categories: 1. Grants & Mandates 2. Volunteer Safety 3. Primary Core Functions 4. Secondary Functions 5. New Items & Continuing Items.

Grants & Mandates

This category includes the Juvenile Crime Prevention Council (JCPC), CSC fines & forts, deed stamps, transfer to register of deeds enhancement fund, transfer to re-evaluation fund, occupancy tax and ACTV support (formerly Channel 50/21). The JCPC program is mainly funded through grant sources. CSC fines & forts, deed stamps and transfer to register of deeds enhancement fund are mandated by law. \$40,000 is proposed to remain in the budget to save for re-evaluation. The occupancy tax is a pass through to the Tourism Development Authority Fund and ACTV support (formerly Channel 50/21) is a pass through of PEG channel revenues to our local public television station.

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 increased by 2.56%. It is proposed that the Fire Commission receive \$123,100 in FY 14-15. The \$123,100 is comprised of \$90,000 to match equipment grants for the Departments (\$15,000 each), \$20,500 to be used to reimburse each Department for contributions made on behalf of each member for retirement, \$10,600 to be used to purchase supplemental accidental / workers compensation for the Department members and \$2,000 to be used mainly to buy supplies for the Fire Parade.

Primary Core Functions

This category includes the Alleghany County Public Library, Appalachian District Health Department, Smoky Mountain Center, Alleghany County Council on Aging, Wilkes Community College (Alleghany County Campus), NC Forestry Service and the Alleghany County Group Homes. 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. 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. 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. 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.

In FY 12-13, the Board of Commissioners kept funding for the NC Forestry Service level with FY 11-12 funding, reduced funding for the Alleghany Group Homes by 10% and reduced all others in this category by 5%. In current FY 13-14, Alleghany County initiated a plan to restore most of these funding cuts over a two-year period. The first year funding restoration was implemented in current FY 13-14.

It is recommended that Appalachian District Health and Smoky Mountain Center receive their second-year restoration funding equating to a 2.56% increase. This proposal recommends that the Alleghany County Group Homes receive their second-year restoration funding equating to a 5.26% increase. It is proposed that the Forestry Service received their requested amount that equates to a 1.67% increase. Although the Alleghany County Public Library and Wilkes Community College received their entire restoration funding this current fiscal year, it is still recommended that they receive a 2.56% increase. The Alleghany County Council on Aging (COA) will experience meal costs increases along with reductions in grant sources that will result in the reduction in meals for seniors and in-home-aid service hours. It is recommended that COA receive their requested amount that equates to a 5.13% increase.

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 Connections, Alleghany Wellness Center, American Red Cross, Appalachian Senior Programs and Fireworks. Programs in this grouping were reduced by 5% from FY 11-12 to FY 12-13 with the exception of the Alleghany Wellness Center and Appalachian Senior Programs that were reduced by 10%. 1/2 of the funding reductions made to all programs in this group were restored in current FY 13-14. It is recommended that the second half of these funding reductions be restored in the upcoming FY 14-15.

Continuing & New Items

Appalachian District Health Department has been the lead agency for the Community Alternative Program for Disabled Adults (CAP/DA) since FY 04-05. This program was transferred to the Health Department when Alleghany Memorial Hospital stopped managing the service for various reasons. This service is not a primary core service of Appalachian District Health Department and Alleghany County is the only County in their service area where they are the lead agency for these services. It is recommended that the Community Alternative Program for the Disabled Adults (CAP/DA) continue to be funded \$15,000 in FY 14-15. This program will need to be monitored on an annual basis to evaluate its sustainability.

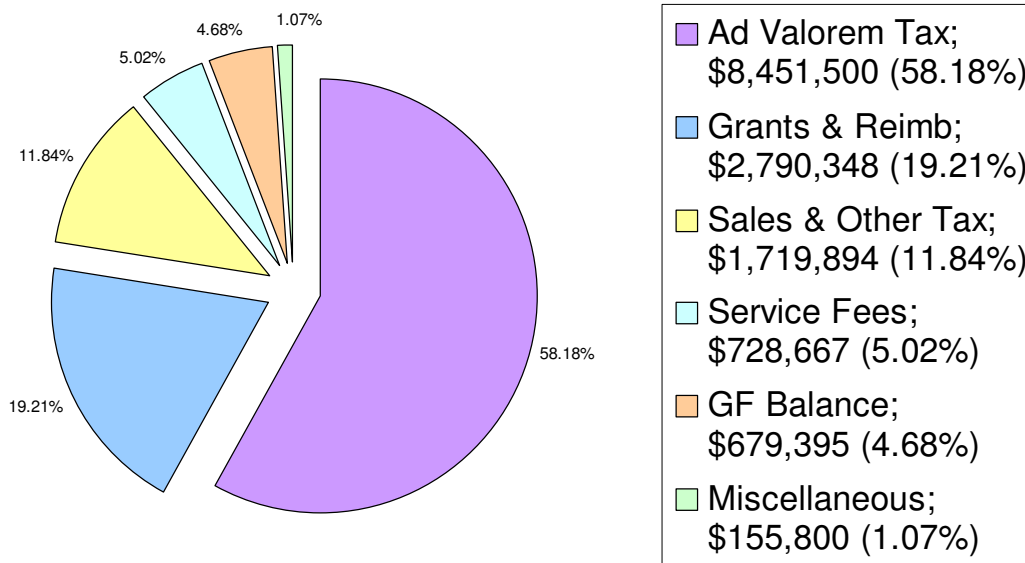
The Sparta Revitalization Committee submitted a \$2,000 request to assist the group with the purchase of new downtown Christmas decorations and advertising banners. The \$2,000 has been included in the County's FY 14-15 proposed budget due to the fact that this is a continuation request from current FY 13-14. It is proposed to continue budgeting \$15,000 for legal costs associated with the New River Behavioral Health closing. It is also recommended to continue funding the Blue Ridge Business Development Center at a level amount of \$22,000 and Alleghany Memorial Hospital at a level amount of \$100,000.

Due to changes in State law, Alleghany County will have to purchase new voting machines to be utilized during the November 2016 general election. The current estimate to purchase the new voting machines is \$105,000. Alleghany County has three budget cycles to prepare for these additional costs. It is proposed to budget \$35,000 per year for the next three years to prepare for the upcoming costs. The proposed FY 2014-2015 budget includes the first \$35,000 to be saved for the upcoming voting machine purchase.

It is proposed to budget \$35,000 to enhance security at six County facilities. The County facilities are the Alleghany County Administration Building, the County Office Building, the Transfer Facility, Duncan Recreation Center and Wilkes Community College (Alleghany Campus). The security system will incorporate video cameras, panic buttons and door alarms. Wilkes Community College will install its own security system that integrates with the main campus in Wilkes. The other five facilities will utilize security resources provided by Skybest Security.

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.



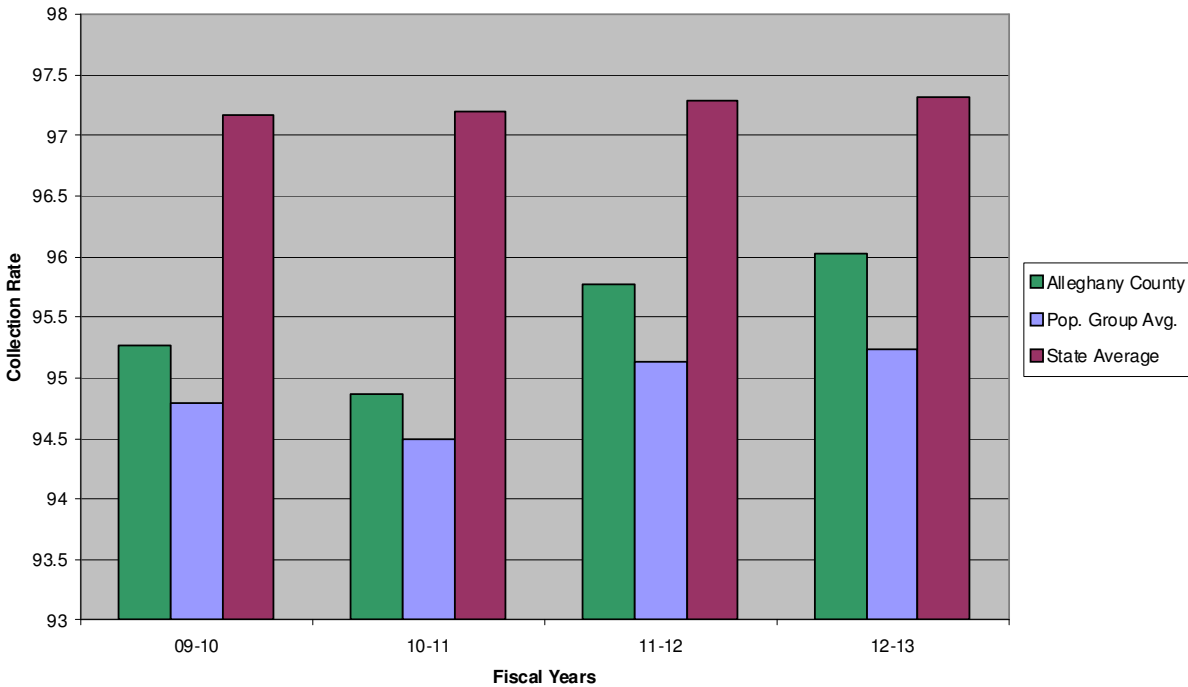
TOTAL BUDGET - \$14,525,604

AD VALOREM TAXES

Approximately 58.18% (\$8,451,500) of the County's budget is proposed to be funded by the property tax. The proposed \$8,451,500 is comprised of \$8,000,000 from FY 14-15 property taxes, \$350,000 from prior year taxes and \$101,500 from penalties/ interests/ garnishments for late payments.

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 12-13 audited collection rate was 96.02%. Therefore it is recommended that a 96.02% 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 19.21% (\$2,790,348) of the County’s proposed revenues. Major reimbursement/grant highlights include \$1,344,332 in DSS administration reimbursements, \$302,332 in Child Development Administration, \$301,363 in Medicaid hold harmless payments, \$131,132 (85% of costs) for the administration of the Transportation System, \$47,257 reimbursement from the Board of Education and Federal Government to offset additional Glade Creek School Debt, \$56,055 Juvenile Crime Prevention Council grant, \$20,625 Emergency Management grant and a \$27,800 Soil & Water Grant.

This category also includes revenue items such as other reimbursements/grants for Social Services, Transportation, Veteran’s Administration, Council on Aging, NW Library, Roaring Gap deputies, dispatch salary, pin equipment, gas reimbursements, utility reimbursements and all transfers from other funds.

SALES & OTHER TAXES

Sales and other taxes account for approximately 11.84% (\$1,719,894) of the County's proposed revenues. Alleghany County receives tax revenues from the State wine/beer tax, the ABC liquor tax, cable franchise tax, PEG channel tax, occupancy tax, tax on ABC bottles for drug enforcement 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 while the county beer/wine tax will decrease slightly. The ABC liquor tax is projected to increase along with the ABC bottle tax for drug enforcement. The cable franchise tax will remain constant. The PEG channel tax is projected to double due to the fact that Alleghany Community Television (ACTV) has started another channel.

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). Although no growth in the tax was planned for current FY 13-14, it is projected that Alleghany County will receive a 1.9% increase in these revenues. It is recommended that a conservative approach be applied when estimating Article 39 revenues and that \$585,049 be budgeted in FY 14-15. This recommendation constitutes no growth in these revenues.

Article 40 is a 1/2 cent sales tax revenue that is based on Statewide sales and distributed to the Counties based on population. Although no growth in the tax was planned for current FY 13-14, it is projected that Alleghany County will receive a 3.1% increase in these revenues. It is recommended that a conservative approach be applied when estimating Article 40 revenues and that \$598,220 be budgeted in FY 14-15. This recommendation constitutes a projected 2% increase.

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). Although no growth in the tax was planned for current FY 13-14, it is projected that Alleghany County will receive a 1.9% increase in these revenues. It is recommended that a conservative approach be applied when estimating Article 42 revenues and that \$337,225 be budgeted in FY 14-15. This recommendation constitutes a projected 1% growth.

SERVICE FEES

Service fees account for approximately 5.02% (\$728,667) of the County's proposed revenues. Revenues included in this category are line items such as Register of Deeds fees, building inspection fees, 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 13-14 receipts. It is anticipated that EMS receipts will be \$350,000 in FY 14-15.

The boarding of State, Federal and other County inmates is a volatile revenue source and is difficult to predict. Alleghany County anticipated to receive approximately \$160,000 in FY 12-13 but realized very little of this revenue. Alleghany County budgeted very conservatively in current FY 13-14 but will receive over \$200,000 in revenues this year.

It is recommended to budget a conservative \$64,000 in FY 14-15 for these services. The proposed jail budget does not reflect the cost of housing a significant amount of State, Federal and other County inmates. If the jail begins housing a significant number of these inmates, then Alleghany County will need to adjust the jail operating budget to accommodate the additional expenses.

MISCELLANEOUS

Miscellaneous revenues account for approximately 1.07% (\$155,800) of the County's proposed revenues. These revenues include interest earned on investments and/or banking costs, lottery proceeds, CSC fines and forts, drink/snack machine revenues, utility capital credits and reimbursement from the Town of Sparta for the upcoming municipal election. The final lottery amount received will be dictated by the State budget process. The CSC fines / forfeitures reflect current year receipts and are mandated to be transferred to the schools. All other revenues will remain fairly constant.

GENERAL FUND BALANCE

General Fund balance appropriation accounts for approximately 4.68% (\$679,395) of the proposed revenues. Historical data has proven that normally \$300,000 to \$400,000 of the General Fund balance appropriation is not actually utilized. If history continues to repeat itself, then there is a good chance that only \$280,000 to \$380,000 will be utilized. If revenues continue to improve such as this year (i.e. improved tax collections, improved sales tax increases, additional inmate revenues), then a smaller amount of the fund balance will be used.

It is projected that the General Fund Balance will be approximately \$3,200,000 the end of current FY 13-14. This equates to an approximate 22-23% fund balance. Alleghany County should always keep at a minimum 16.67% (two months operating expenses) fund balance. I have always recommended that a 20-30% fund balance is the optimal fund balance goal.

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 14-15 proposed operating budget is \$829,551. This proposal constitutes an approximate increase of 2.81% (\$22,646) over the FY 13-14 amended budget of \$806,905. There are no major operational changes proposed for FY 14-15. There is one major capital improvement project requested. I am recommending \$12,000 to be budgeted to pave the area around the tipping floor entrance.

EMERGENCY 911 FUND

The FY 14-15 E911 proposed budget is \$115,184. This proposal constitutes an approximate decrease of 7.42% (\$9,232) under the FY 13-14 amended budget of \$124,416. There are no major operational changes proposed for FY 14-15. There are no major capital expenditures planned for FY 14-15.

TRANSPORTATION OPERATIONAL FUND

The FY 14-15 Transportation Operational Fund Budget is proposed to be \$473,144. This proposal constitutes an approximate increase of 7.68% (\$33,732) over the FY 13-14 amended budget of \$439,412. The Fund is operated as a revenue based fund relying on its own revenues to pay for expenses.

Highlights of this fund include a \$46,000 Elderly and Disabled Transportation Program grant, \$48,000 Rural General Public grant, \$29,050 grant for the “ED” program, \$5,000 Work First Transportation grant and \$173,770 in a capital grant.

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

Description	Amount
Replacement Lift Van	\$54,000
Replacement Mini-Van	\$29,000
Replacement Mini-Van	\$29,000
3 Computers	\$3,897
1 Projector	\$519
Logos – 3 Vans	\$1,350
CTSP	\$75,000
TOTAL	\$192,766

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

OTHER FUNDS

This category includes other funds such as the Economic Development Fund, the 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 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 Allegheny 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
Allegheny County Manager