



# Alleghany County Proposed Budget

FY 2019-2020

Michael James, County Manager

ALLEGHANY  
COUNTY, NC

# 2019-2020 General Fund Budget Highlights

Information contained herein is not intended to substitute for the complete county budget release as required per state statute. This presentation merely highlights key areas of the proposed 2019-2020 budget for focus. Numbers presented here are rounded to the nearest thousand or ten thousand.

# Major events during current budget year

- ▶ Increased inmate medical (\$50,000)
- ▶ Additional inmate boarding (\$55,000)
- ▶ Addition of Tag Office (\$27,600)
- ▶ Addition of 2 Narcotics Deputies (\$89,400) - Prorated portion in 18/19
- ▶ New Jail water heater system (\$18,000)
- ▶ AIM ED Additional Funding (\$25,000)
- ▶ Other small items
- ▶ Total of Budget Amendments (\$320,000)
- ▶ Initial projected usage of reserve (\$250,000)
- ▶ Total deficit for year (\$570,000)

About 3.5 cents in property tax revenue

This just gets us to June 30<sup>th</sup>!! We had other minor events as well

# Major hurdles to clear in 2019/2020

- ▶ Year 4 of Employee Salary Study (\$190,000) to General Fund
- ▶ Mandatory increased retirement (\$65,000)
  - ▶ Will increase by similar amount next 4 years
- ▶ New Streetscape Payment (\$30,000)
- ▶ Subtotal (\$285,000)
- ▶ This year's deficit (from previous) (\$570,000)
- ▶ Net Position to start (\$855,000)
  - ▶ About 5.2 cents in property tax

# Employee Payroll Comparison

We have completed 3 years of ramp up on employees' salary

Budget Year	Full-time Employees	Salary	Average Salary	Other Payroll Costs	Health Insurance	Total Costs
2016/2017	105	\$3,400,000	\$32,429	\$770,000	\$970,000	\$5,140,000
2017/2018	106.5	\$3,675,000	\$34,514	\$805,000	\$1,050,000	\$5,530,000
2018/2019	111	\$4,010,000	\$36,146	\$960,000	\$1,100,000	\$6,070,000

**+\$3,717**  
**+11.5%**

**+\$930,000**  
**+18%**

Positions added:

- 2 Narcotics Officers (3/1/2019)
- 2 School Resource Officers (7/1/2017 and 7/1/2018)
- 1 Soil & Water Position (7/1/2018)
- 1 Tax Appraiser (1/1/2018)
- 1 Maintenance Position (7/1/2017)

Salary includes Other Funds

# Cost/Benefit of Increased Payroll

- ▶ Cost to taxpayers prohibitive
  - ▶ \$930,000 = \$0.058 tax
- ▶ Strive to be good stewards of taxpayer money
- ▶ Payroll is the single biggest expense of most large organizations
- ▶ Most of our departments have 3 or fewer employees - makes staff reductions difficult
- ▶ Over 80% of employees live here in the County
- ▶ Employees spend money locally
  - ▶ Restaurants
  - ▶ Shops
  - ▶ Charitable donations
- ▶ Reduces turnover - Opportunity costs of replacing personnel more than cost of pay raises
- ▶ “Credentialed” personnel most difficult to hire and retain
  - ▶ Paramedics
  - ▶ Social Workers
  - ▶ Uniformed Law Enforcement

# Employee Compensation

- ▶ 2019/2020 impact scheduled to be about \$190,000
  - ▶ About 1.2 cents in property tax
- ▶ 2019/2020 will complete the 4 year phase in period
- ▶ Ashe and Surry are currently evaluating salaries as well
  - ▶ Starting to lose employees to surrounding counties



# Increased Retirement Contributions

- ▶ Currently 320,000 NC Local Government Retirees receiving benefits
- ▶ Projected to add 150,000 more in next 10 years
  - ▶ Silver Tsunami
  - ▶ Folks are living longer than ever
  - ▶ Bob Day
- ▶ NC is in Top 5 of best funded pension systems but is still underfunded
- ▶ Employer contribution increasing significantly each of next 4 years
- ▶ This year's impact is \$65,000



# Needed Upgrades in Equipment - 2019/20

- ▶ 2 new county vehicles \$57,000
- ▶ 4 Sheriff's vehicles \$165,000
  - ▶ Patrol vehicles used well over 80,000 miles per year
- ▶ Equipment for Sheriff's Dept \$30,000
  - ▶ Tasers, weapons, dashboard computers, etc.
- ▶ Laundry equipment for jail \$16,000
- ▶ Dispatch equipment for second seat \$93,000
- ▶ Various equipment for remaining areas \$45,000
  - ▶ Computers, printers, furniture, etc.
- ▶ Total \$390,000
- ▶ **About 2.35 cents in property tax if paying cash**
- ▶ We will be borrowing this money to ease current year's budget impacts

# Why does it cost so much to provide essential County services? - 1 example

1 Sheriff Deputy Patrol Car

Patrol deputies average 240 miles per day

240 x 365 = 87,600 miles driven per year

2 year life expectancy on vehicle

Vehicle cost of \$42,000

-- Fully equipped (lights, radios, computers, cage, etc)

Annual Costs to maintain

Vehicle price \$21,000

4 sets of tires x \$536 \$2,144

4 sets of brakes x \$65 260

17 oil changes x \$47 799

Other maintenance 500

Total Vehicle Cost \$24,703

Patrol deputy payroll cost \$54,142

Total Cost \$78,845

(Basically ½ cent in property tax) per patrol officer

# Desire to Keep Tax Rate Low

## Current Tax Rate

54.75 cents

20th Lowest/80th Highest

State median 69.55 cents

State average 67.35 cents

89 of 100 Counties have a fire tax in addition to property tax

Fire tax rates range from 1.7 cents in West Jefferson to 16.0 cents in Barnardsville (in Buncombe County)

Most fire tax rates are 5 to 10 cents

Alleghany News article on 3/27/2019 quoted a popular website's claim that our tax burden is 10<sup>th</sup> lowest in state.

# Tax Comparison - 2018/2019 with our neighboring counties

	Regular Tax Rate	Highest Fire Tax Rate	Lowest Fire Tax Rate	Median Fire Tax Rate	Total Tax Rate (Based on Median Fire Tax)
Wilkes County	\$ 0.6700	\$ 0.1300	\$ 0.0500	\$ 0.0900	\$ 0.7600
Surry County	\$ 0.5820	\$ 0.1150	\$ 0.0700	\$ 0.0925	\$ 0.6745
Yadkin County	\$ 0.6600	\$ 0.0870	\$ 0.0500	\$ 0.0685	\$ 0.7285
Ashe County	\$ 0.4430	\$ 0.0800	\$ 0.0170	\$ 0.0485	\$ 0.4915
Stokes County	\$ 0.6600	\$ 0.0800	\$ 0.0800	\$ 0.0800	\$ 0.7400
Average of 5 Neighbors	\$ 0.6030	\$ 0.0984	\$ 0.0534	\$ 0.0759	\$ 0.6789
<u>Alleghany County</u>	\$ 0.5475	\$ -	\$ -	\$ -	\$ 0.5475

**We are 13 cents lower than average**



# Revenue Challenges

Being a small county we face several obstacles

# Present Use Exemption Challenge

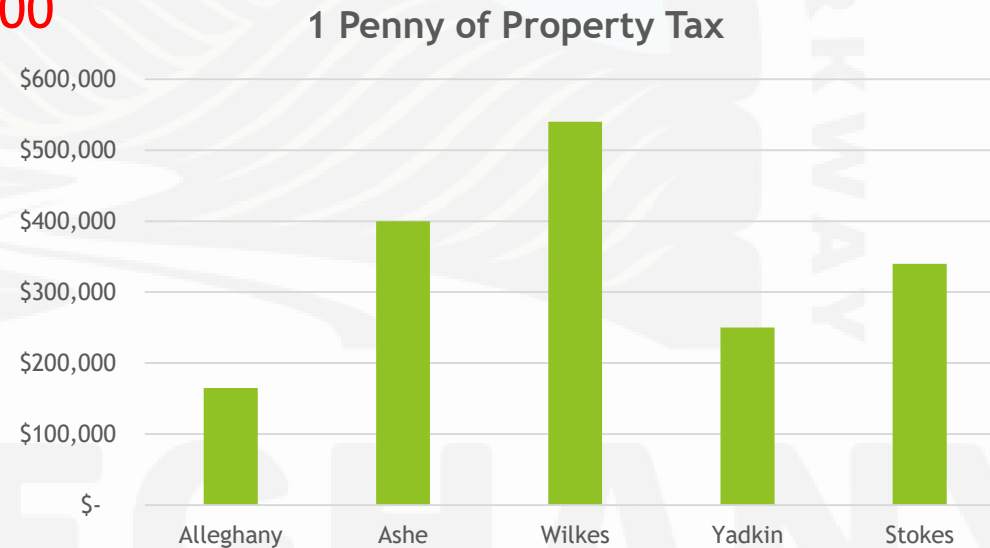
- ▶ 65% of our acreage is classified as “Present Use” since it is in active agricultural or horticultural production (highest % in state among reporting counties)
- ▶ Average NC county has 18%
  - ▶ Ashe County has 12%
  - ▶ Wilkes County has 30%
- ▶ Farmers pay significantly reduced property tax compared to non-farmers
- ▶ All the farmland in the county is assessed at \$556,296,400

	Tax Rate	Property Taxes Owed
\$556,296,400 (actual value)	\$.5475 per 100	\$3,045,723
\$107,045,500 (present use value)	\$.5475 per 100	\$586,074
	Property Tax Reduction for Farmers	\$2,459,649

This equals \$0.15 of property tax

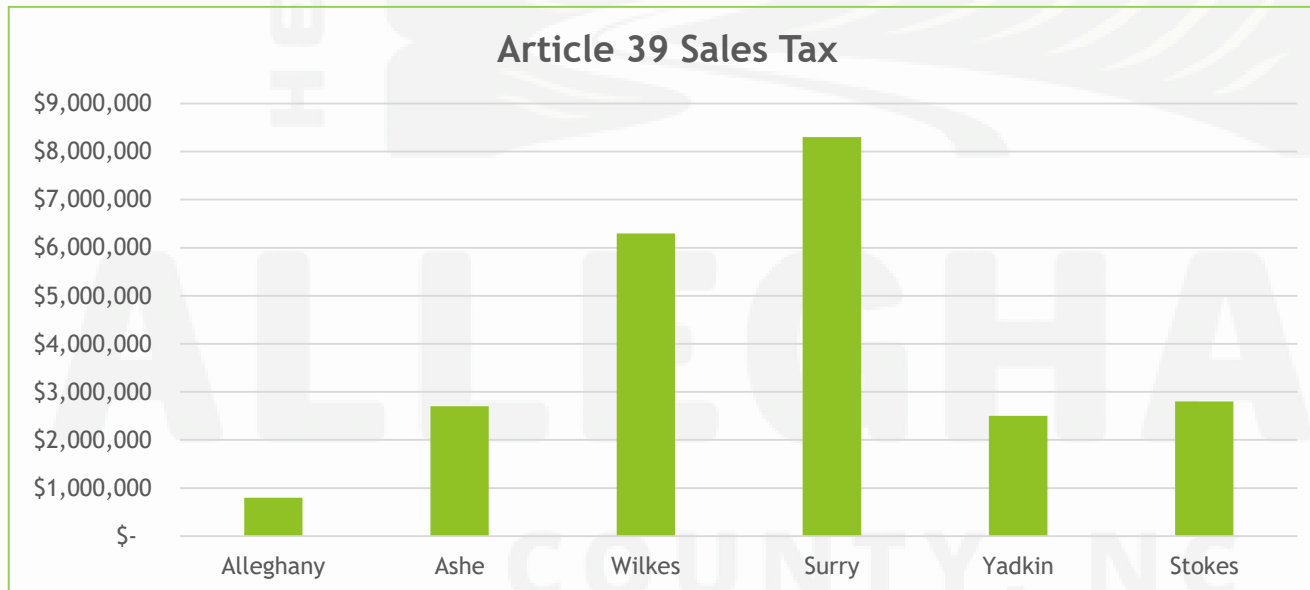
# Small Tax Base Challenge

- ▶ At \$1.6 billion, we have the 6<sup>th</sup> smallest real estate assessment in the state so 1 penny of property tax does not go very far
- ▶ **1 penny of property tax = \$165,000**
- ▶ 1 penny in Ashe = \$400,000
- ▶ 1 penny in Surry = \$560,000
- ▶ 1 penny in Wilkes = \$540,000
- ▶ 1 penny in Yadkin = \$250,000
- ▶ 1 penny in Stokes = \$340,000



# Sales Tax Challenge - Part 1

- ▶ At \$800k, we have the 8<sup>th</sup> smallest amount of locally collected sales tax revenue of all counties
  - ▶ Town of Blowing Rock collects almost as much as we do
  - ▶ We are growing nearly 10% per year -- double the state average
  - ▶ Authentically Alleghany
  - ▶ Moved up 1 spot this year





## Sales Tax Challenge - Part 2

- ▶ Each of our bordering Counties have enacted Article 46 -- the additional ¼ cent sales tax -- while we have not
- ▶ Ashe collects \$653,000 from this additional ¼ cent
- ▶ Wilkes collects \$1.5 million
- ▶ Surry collects \$2.2 million
- ▶ We would collect almost \$200,000 additional
  - ▶ **Equivalent to 1.2 cents of property tax**

# Fund Balance Challenge

- ▶ We have been spending some of our Fund Balance (Reserve) each of the last 2 years
- ▶ Current Usable Fund Balance is just over \$3,000,000 (about 18% of budget)
- ▶ We are allowed to have as low as 8.33% (1 months expenditures) but that is not recommended
- ▶ We cannot continue to spend our Fund Balance each year
- ▶ Wilkes has a 41% Fund Balance
- ▶ Ashe has 28% Fund Balance
- ▶ I recommend 25%
- ▶ Goal is to add \$150,000 to \$200,000 back to Fund Balance in 19/20



# General Fund Revenues

# Projecting Our Revenues Property Tax

Real and personal property taxes are our largest revenue source

Each penny of property tax generates about \$165,000 of revenue

**About 55% of Revenue**

# General Fund Revenue Projections

▶ Property Taxes	\$10.0 Million
▶ Sales Taxes	\$2.7 Million
▶ Grants and Reimbursements	\$2.9 Million
▶ Fees for Services	\$1.3 Million
▶ Other (includes reserve)	\$1.3 Million
▶ Total	\$18.2 Million

10% increase from last year

# Revenue Assumptions for 19/20

- ▶ 3.5% increase in local sales tax revenue (Article 39)
  - ▶ \$28,000 increase
- ▶ 4.0% increase in state sales tax revenue (Articles 40 & 42)
  - ▶ \$65,000 increase
- ▶ \$0.0495 increase in property tax rate
  - ▶ \$790,000 increase in property tax revenue
- ▶ Average of 13.5 state inmates housed
  - ▶ \$197,000 in revenue
- ▶ No revenue from sale of real property
- ▶ \$5,000 from sale of excess vehicles

# Potential Tax Implications

- ▶ Current tax rate is \$0.5475 (20th lowest in State)
- ▶ Average real estate tax bill is \$665.00
- ▶ 4.95 cents increase in tax rate = \$60.00 increase to average real estate tax bill - a 9% increase
- ▶ New average real estate tax bill would be \$725.00

We would move from 20<sup>th</sup> lowest to 31<sup>st</sup> lowest tax rate assuming no other county changes rates - not including fire tax rates

# Tax Comparison - 2019/2020 with our neighboring counties

	Regular Tax Rate	Highest Fire Tax Rate	Lowest Fire Tax Rate	Median Fire Tax Rate	Total Tax Rate (Based on Median Fire Tax)
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Average of 5 Neighbors	\$ 0.6030	\$ 0.0984	\$ 0.0534	\$ 0.0759	\$ 0.6789
<u>Alleghany County</u>	\$ 0.5970	\$ -	\$ -	\$ -	\$ 0.5970

**We will be 8.19 cents lower than average**

We do not know yet if any of our neighbors will be raising taxes





# General Fund Expenditures

Where does the money go?

# Public Purpose

- ▶ Section 2(1) of Article V of the NC Constitution states that “the power of taxation shall be exercised in a just and equitable manner, for public purposes only, and shall never be surrendered, suspended or contracted away.”
- ▶ This has been interpreted by the Courts as a limitation on local government spending
- ▶ Spending should serve a public purpose
  - ▶ Must be reasonably connected to governmental unit
  - ▶ Must benefit the public generally
  - ▶ Must not solely benefit special interests or individual parties

# Budget Requests

- ▶ \$20.7 million of total budget requests
  - ▶ Would have required a tax increase of 15.5 cents
- ▶ Philosophy - Don't be afraid to ask for it; don't ask, don't get
- ▶ Rumored \$3.5 million "hole"
- ▶ Budget trimmed to \$18.3 million
  - ▶ Up about 4% from last year's original budget
  - ▶ Up about 2% from revised budget
- ▶ About \$2.4 million (about 12%) removed

# Budget Requests -- Personnel

- ▶ Original budget requested 10 new positions (9 full time)
  - ▶ 2 Grant funded Crime Victims' Advocates
  - ▶ 2 Additional School Resource Officers
  - ▶ 2 Additional Dispatchers to transition to Emergency Medical Dispatch
  - ▶ 3 Additional Social Services positions
  - ▶ 1 Part-time Finance position

# Budget Requests -- Personnel

- ▶ Original budget requested 10 new positions (9 full time)
  - ▶ 2 Grant funded Crime Victims' Advocates - **staying in the budget (100% grant funded)**
  - ▶ 2 Additional School Resource Officers - **staying in the budget (we anticipate \$60,000 in grants to pay about ½ the costs)**
  - ▶ 2 Additional Dispatchers - **removed from budget for now (working on a solution to pay for these and add mid-year)**
  - ▶ 3 Additional DSS positions - **1 position to start 7/1/19; 1 position to start 1/1/20; 1 removed; saves ½ cost**
  - ▶ 1 Part-time Finance position - **Removed. Will cross-train other employees to assist Finance**

# School Resource Officers

- ▶ Sheriff Maines submitted budget request with 4 SRO positions (as he did last year)
- ▶ Grant funding projected to be available to assist
  - ▶ School system must apply for grant funding
- ▶ Additional 2 SRO's cost approximately \$62,000 each (\$124k total) for first year and \$56,000 each going forward - **plus the purchase of 2 additional vehicles**
- ▶ About  $\frac{3}{4}$  cent in additional property tax to place SRO in every school
- ▶ Common campaign theme last Fall
- ▶ 4 SRO's ARE included in this budget

# Key Items Removed/Reduced from Original Requests

- ▶ Public assistance reduced \$450,000 (net of \$225,000)
  - ▶ Still increased slightly over this year
- ▶ School Board budget request reduced \$550,000
  - ▶ Still funding equal to last year
- ▶ Building maintenance budget reduced \$8,000 - New HVAC and roof will lower energy costs
- ▶ Inmate medical reduced \$45,000
- ▶ Boarding of prisoners reduced \$20,000 (female population trending down)
- ▶ Travel and Continuing Ed budgets requests reduced across the board
- ▶ Ended contract with Insurance Consultant saving \$15,000

# Running a Tight Ship - Non-payroll costs

	2020	2019	Difference	Single largest item
Administration	\$ 15,700	\$ 12,340	\$ 3,360	\$4,750 for new security cameras
Finance	\$ 164,567	\$ 155,582	\$ 8,985	\$12,000 increase in audit fees
Elections	\$ 70,270	\$ 75,020	\$ (4,750)	(\$2,000) election costs
Recreation	\$ 78,195	\$ 109,520	\$ (31,325)	(\$22,500) Paving VMP
Tax	\$ 108,350	\$ 206,773	\$ (98,423)	(\$99,000) New software
GIS	\$ 30,021	\$ 30,171	\$ (150)	
Register of Deeds	\$ 54,174	\$ 61,934	\$ (7,760)	(\$5,500) Supplies/Materials
Public Buildings	\$ 278,500	\$ 288,037	\$ (9,537)	(\$10,000) Maintenance/Repair
Sheriff	\$ 489,891	\$ 385,375	\$ 104,516	\$85,000 Buying 4 vehicles instead of 2
Jail	\$ 576,491	\$ 586,930	\$ (10,439)	(\$45,000) Inmate medical
Total	\$ 1,868,179	\$ 1,913,701	\$ (45,522)	



# Investment in Education Wilkes Community College

- ▶ Student enrollment increased from 106 in Fall 18 to 165 Fall 19
- ▶ CCP/Dual Enrollment increased from 57 in Fall 18 to 82 in Fall 19 ( + 44% )
- ▶ CCP/Dual Enrollment should exceed 150 this year
- ▶ Number of classes provided at Alleghany Center increased from 540 to 621 ( + 15% )
- ▶ Number of classes has almost doubled in 2 years
- ▶ 103 continuing education classes vs 89 last year (+ 16%)



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# Wilkes Community College

- ▶ Added Information Technology program in 2018-19
- ▶ Currently renovating basement for Construction Technology courses to begin in July
- ▶ Largest program at the Allegheny Center in 2018-19 is Criminal Justice
- ▶ Adding additional Criminal Justice and Business classes in 2019-20



# Investment in Education Wilkes Community College

- ▶ Stormwater and erosion control upgrades to trail between high school and WCC
- ▶ New roof and HVAC for entire building
- ▶ WCC leases space from county at no charge
- ▶ Total appropriation of about \$195,000 (About 1.2 cents)
- ▶ Increase of about \$29,000
- ▶ Ashe County funds WCC about \$850,000

# Investment in Education Public School Funding

## Outstanding School Debt Owed by County as of 4/30/2019

Loan Description	Principal Balance	Annual Payment	When paid off
Sparta Renovation	\$344,182	\$122,265	2022
Sparta QZAB 1	\$428,573	\$142,857	2022
Sparta QZAB 2	\$1,283,333	\$91,667	2032
Glade QSCB 1	\$1,335,834	\$248,954	2025
Glade QSCB 2	\$179,241	\$39,355	2025
Glade Water/Sewer	\$508,305	\$68,882	2028
<b>Totals</b>	<b>\$4,079,468</b>	<b>\$713,980</b>	<b>About 4.3 cents</b>



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# School System Enrollment

School	17-18 Enrollment	18-19 Enrollment	19-20 Enrollment	3 Year Delta
Glade Creek	210	190	213	+ 3
Piney Creek	139	157	168	+ 29
Sparta	515	533	557	+ 42
Alleghany High	431	439	410	- 21
Total	1,295	1,319	1,348	+ 53

At \$2.65 million (about \$0.16 of property tax) -  
School net funding is equal to last year  
(Schools no longer reimbursing any SRO expenses)

# Human Services

Dedicated staff of 25 full-time employees assist citizens with human services needs (increasing to 27)

- ▶ Protective services (adult and child)
- ▶ Child care assistance (enables single parents to work)
- ▶ Foster care assistance (number of children continues to increase)
- ▶ Child support enforcement
- ▶ Medicaid Transformation (how will this effect upcoming years?)
- ▶ Income maintenance
- ▶ Over half of DSS costs are reimbursed by Feds or State
- ▶ About \$1,250,000 of net County tax dollars (about 7 ½ cents)
- ▶ Much of this money is spent locally

# Law Enforcement

- ▶ Sheriff and 16 Deputies provide 24 x 7 coverage of the unincorporated areas of Alleghany County
  - ▶ Also back up Sparta Town Police
  - ▶ Provide courthouse security
- ▶ 5 full-time dispatchers handle 911 calls for all agencies
- ▶ 10 full-time jailers manage housing and transportation of inmates
- ▶ Inmate population will continue to increase
- ▶ House state inmates to generate revenue
- ▶ Expected to obtain over \$500k in grants this year



# Funding Assistance for Valued Community Partners

▶ Volunteer Fire Departments	\$425,000
▶ Rescue Squad	\$48,000
▶ Library	\$181,000 (+ \$8,000)
▶ Health Department	\$213,000 (+ \$19,000)
▶ VAYA (Mental Health)	\$116,000
▶ Council on Aging (1)	\$150,000 (+ \$7,000)
▶ Alleghany Memorial Hospital	\$100,000
▶ Youth Services	\$118,000

(1) Plus we plan to construct a new building



# Alamo Budget

- ▶ How can we avoid a tax increase?
- ▶ Would need to find \$790,000 worth of additional cuts
  - ▶ Cancel employee pay raises \$190,000
  - ▶ Do not add the new positions (1) \$90,000
  - ▶ 7.5% reduction to School funding \$200,000
  - ▶ Reduce Public Assistance to 2019 level \$45,000
  - ▶ Eliminate Contingency Item \$50,000
  - ▶ Furlough all county employees one week (2) \$57,000
  - ▶ Eliminate proposed surplus \$150,000
  - ▶ Subtotal \$782,000
  - ▶ (1) Still add the 2 grant funded positions
  - ▶ (2) We would not furlough uniformed law enforcement or Paramedics

It is my recommendation we not implement any of these items

# Transfer Station Fund Challenges

- ▶ Separate commercial and residential traffic (multi-year process) - Still in planning stage
- ▶ Originally planned to begin process to move to co-mingled recycling (multi-year process) - on hold
  - ▶ “Washington County, Bristol, VA, phasing out recycling services” - Johnson City Press, 2/25/2019
  - ▶ “Smyth County (VA) suspends recycling following plant closure” -- Bristol Herald-Courier, 3/21/2019
  - ▶ Lee County (VA) - recently bought a closed factory to store recycling until a new buyer is located
- ▶ \$380,000 OPEB accounting hit for retiree healthcare
- ▶ Forces an increase to \$98.00/year for household fee

# So What Happens Next?



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# Next Steps

- ▶ May 6th - Presentation of Budget
- ▶ 4 to 5 Budget work sessions with Commissioners during late May through mid-June
- ▶ June 25<sup>th</sup> - Proposed date for Public Hearing

# Looking into the Crystal Ball

## Challenges for 2021 and beyond

- Several parking lots need re-surfacing
- Continue to purchase 2-3 Sheriff's vehicles per year
  - Most of county fleet has been turned over
- Much of the pent up maintenance has been corrected
  - Administration building HVAC
  - Courthouse HVAC
- Phase 2 of Sparta School/Auditorium renovations
- Possible renovations at high school
- Medicaid Transformation is a big unknown
- Recycling is a question mark
- And who knows what else?



# Acknowledgements

Big thanks to the following for their assistance:

**Karen Evans, Finance Officer**

Drew Temple, Clerk to the Board

County Commission

Mark Evans, Chairman

County Department Managers



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