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Budget Message
Haywood County
Proposed Budget for Fiscal Year 2018-2019

Introduction

In accordance with North Carolina Statute 159-11, the proposed budget is hereby presented for your review and consideration. This proposed budget sets forth a plan of operations for all County departments, programs, and projects for the coming year. This proposed budget is balanced in accordance with the law and with revenues and expenditures totaling \$82,568,889.

I feel that the proposed plan is fiscally responsible, meets the needs of our citizens and moves the County forward to meet the challenges ahead.

Economy

Haywood County is still being impacted by the recession of 2008. During those recession years, drastic measures were taken appropriately to "live within our means." Most of those cuts affected the essential services of Public Safety and Facility Maintenance. Although each budget since has taken steps to recover, there is still much left to be done, and other circumstances have occurred that require an increase in funding in order to provide adequate services.

The proposed Fiscal Year 2018-2019 budget attempts to take positive steps to further recover from the negative impact of the recession. A major factor that is in our favor has been the improving economy of the county.

According to the North Carolina State University Index of North Carolina Leading Economic Indicators, the state economy has been trending upward since 2015. To quote from the study, "The strength of the Index's gain in the last two years increases our confidence that 2018 will be another growth year for the North Carolina economy." Many of our own indicators point toward having the same level of confidence in our local economy.

According to the North Carolina Department of Commerce, the unemployment rate for Haywood County for the month of February was 4.1%. For the same month in 2017, it was 5.3%. The unemployment rate has steadily declined from the high of 12% just 8 years ago (2010). The statewide rate is 4.6%, so we are faring a little better than much of the state.

Another positive indicator is the continued growth of our tourist industry. According to the 2017-2020 North Carolina Appalachian Regional Commission Program Development Plan, visitors to Haywood County increased their spending by 15% from 2012 to 2016. This expenditure of the tourist dollar generated a payroll of over \$38 million dollars and created almost two thousand new jobs. It is evident that Haywood County is becoming a year round visitor attraction, so employment in the tourism industry is becoming much less seasonal.

Another indicator of the county's growth is the increase in the building permits we are issuing. According to statistics from our Haywood County Development Services office, in Fiscal Year 2016, we issued 492 building permits with a construction cost of \$51,777,164. For Fiscal Year 2017, we issued 543 building permits with a construction value of \$53,917,311. So far this fiscal year, we have already issued 421 building permits with a construction value of \$44,493,745, and we still have 3 months to go. At the rate we have been issuing permits, we may very well reach almost \$60 million in new construction.

Lastly, in an effort to put Haywood County in the best possible position for future and improved economic development, the commissioners approved a plan developed by the Chamber of Commerce and the Economic Development Council (EDC) to enter into an agreement with the Asheville Chamber of Commerce for consulting, advertising and marketing functions.

Because of the overwhelming success of the Asheville Chamber/EDC bringing in new business and industry during the past five years, we have every reason to be optimistic that the returns on this arrangement will be most promising.

Revenues

Taxes

Revenues continue to show improvement, indicating that we are slowly but surely recovering from the disastrous recession of 2008. According to Julie Davis, Director of Finance, our overall revenue estimate is up 3.7%. Of course, Ad Valorem Taxes make up 53% of the budget for a total of \$43,844,596. Sales Tax is budgeted showing a 5.22% increase, bringing in \$15,393,989. In addition to these two major funding sources, the County has seen increases in taxes related to tourism, deed transfers, and new building permits.

Fees

An increase in ambulance fees is proposed for the first time since 2009. This increase will bring ambulance fees in line with what is authorized for Medicare/Medicaid reimbursement and what most insurance plans are willing to approve. To charge anything less means that more of the cost of providing quality emergency services to our citizens is placing a greater burden on property taxes, when the payer could be picking up a larger share of the cost.

Investments

A major percentage increase is in our investments, although still much lower than we had seen before 2008. Again, our Director of Finance estimates that we may see as much as a 130% increase on our investments in the North Carolina Capital Management Trust as well as investments in other government securities.

Fund Balance

In the fiscal year 2017-2018, \$2,528,215 of fund balance was originally appropriated to cover voting machines and other capital expenditures. However, the voting machines will not be purchased before June 30th. This makes it necessary to budget them again in the 2018-2019 fiscal year. Because of this, \$800,000 has been included as a fund balance appropriation. Other capital items using a fund balance appropriation include facility security equipment and vehicle replacements for several departments.

At June 30, 2017, the fund balance available for appropriation was 31.85% of expenditures. In the current fiscal year, we have already appropriated over \$3 million of this amount, which could potentially drop the available fund balance to around 29-30% by June 30, 2018, depending on the final amount of expenditures for the year. The \$1,749,500 appropriation in the 2018-2019 fiscal year may take it down another 1 ½% by June 30, 2019. This does not take into account any fund balance amount restricted for the public schools and community college capital.

Expenditures

Personnel

Included in the proposed budget, and in keeping with one of the Board's stated goals, is a 1% COLA increase, 2% merit and 1% increase to the 401K for all eligible employees except for Law Enforcement, which is already at 5%. Also included is a recommendation for nine (9) new full time positions and one part time position. These new positions are:

- Human Resources Assistant
- Land Records Office Assistant
- Custodian
- Maintenance Technician
- Shelter Technician - two (2)
- Erosion Control Specialist
- Health Educator
- Assistant County Manager - (1/2 year)
- Sheriff's Office - (part time)

Education

Included in the proposed budget is \$15,993,611 for current expenses and \$750,000 for Capital Outlay. These recommendations are based on the current agreed upon formula.

Also proposed is an appropriation to the community college in the amount of \$2,750,085 for current operating expenses and \$360,000 for capital projects. The total is a 15% increase.

Capital Outlay

The biggest ticket item in Capital Outlay for Fiscal Year 2018-2019 is \$800,000 for voting machines. This, however, is for the same voting machines budgeted in Fiscal Year 2017-2018 but not purchased, meaning that we did not have to spend as much of our fund balance as we had budgeted this year, but we will have to spend it next year.

Another large ticket item is replacing three (3) ambulances and a Quick Response Vehicle (QRV). Two of the ambulances will be done as remounts at \$150,000 each and one new ambulance at \$220,000. Also recommended in the proposal is \$230,418 for six (6) new patrol vehicles in the Sheriff's Office.

Additional vehicles are:

- Environmental Health - two (2)
- DSS - one (1)
- Animal Control - two (2)
- Inspections - two (2)
- Tax Assessment - one (1)
- Central Garage - one (1)

Almost \$350,000 is being proposed to improve security. \$154,000 is recommended to upgrade the security in County facilities and \$191,000 is budgeted to replace the security in the Detention Center.

The balance of the capital outlay budget is to repair things that are broken or need to be replaced, or obsolete and no longer effective for their intended purpose.

Recommendation

It is recommended that the commissioners approve a General Fund Budget in the amount of \$82,568,889 at a tax rate of 58.5 cents per one hundred dollars (\$100) valuation of property listed for taxes as of January 1, 2018. This rate of tax is based on an estimated total valuation of property for the purpose of taxation of \$7,501,403,243 and an unaudited estimated tax rate of 97.47% on property for Fiscal Year 2017-2018.



Joel Mashburn, Interim County Manager
Haywood County
May 7, 2018