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FY 25 Recommended Budget

How do we budget?

- Budget team approach, each department meets with the team
- Look at trends for revenue and look at resources that help suggest what to expect with those trends
 - Projecting revenue and economic trends up to 18 months in advance
- Gather information from various sources on price changes and projections including gas, utility rates, goods and services, economic predictions, etc.
- Make, but document, assumptions and layer review so that staff feels comfortable those projections are reasonable
- Seek to understand Board of Commissioner's priorities, community needs, and funding partner needs while balancing the mandated services counties are required to provide
- Estimate service demands by examining existing demands- what is growing, decreasing?
- Understand mandated services and non-mandated services (~86% or more)
- Review fees charged to see where proposed adjustments could be made
- Consider local economy and economic outlook
- Factor in long term fiscal health and long-term planning in addition to annual

Budgets are math and statistics problems, but also establish policy and reflect priorities, including those that are required through mandate

Fiscal Policy Goals

- Implement a long-term capital improvement plan (est. over \$300 million)
 - Education Capital Work Group Recommendations total \$124 million
 - Courthouse \$45-\$50 million
 - BRCC Campus \$80 million
 - Infrastructure \$52 million
 - Landfill Expansion 2025 Cell expansion \$5.8 million for five year lifetime, closures expenses, 2030 and beyond plans
 - Communication Towers- \$3 million
 - Fire and Rescue Department Infrastructure- Rescue Squad, request from Connestee for new main station
- Identify revenue to fund capital needs
 - Economic Development and Infrastructure Support- Ecusta Road Project Lease Payments
 - Education Facilities Bond
 - Possible Sales Tax Referendum
- Factor multi-year budget planning in General Fund
- Computers, equipment and vehicles on replacement schedules to level expenses when possible
- Maintain service levels while navigating limited local government workforce and rapidly rising personnel costs
- Consensus on this year's county needs from Commissioners for recommended budget

Management's Policy Goals

- Maintain existing service levels- most are mandated or required to meet mandates
- Retention and Recruitment- maintain position in the market with continuing COLA policy
- Work to minimize capital project costs by focusing on efficiency and utility in design processes- minimize maintenance, evaluate finishes, evaluate construction methods and materials
- Maintain training programs and maintenance schedules to prevent liability and future expenses
- Leverage technology and plan for upgrades and replacements- cybersecurity, changing vendor landscapes, increasing cost of public safety equipment
- Provide suggestions and guidance on ways to minimize pressure on the tax rate to the degree possible
- Leverage purchasing power of larger state or Sheriff's Association pricing

Process with Changes Implemented this Year

- Internal Departments turned in budget requests with justification in Feb.
- Panel review of all budgets- Commissioners included for elected office leaders
- Nonprofit Funding- Open call for applications in March, review by subcommittee to be scheduled. Recommended Budget contains a budget to give the committee.
- School Funding- Statutory required May 15, school officials turned in a partial budget and are not going to turn in a budget with all funds as listed in the statute.
- Outside Agencies- Fire Departments, Rescue Squad, etc.
 - ▣ Budget requests due in March, *subcommittee review including commissioners*
- Priorities and Preliminary Discussion
 - ▣ Commissioner meetings in May to clarify priorities, discuss justifications
- Capital planning and discussions from past year will continue into the fall. Plans to schedule a capital workshop and to revise the capital plan in fall 2024.

Transylvania Considerations

- ❑ Official population is artificially low due to seasonal population without residency here
- ❑ Property Tax is the only way commissioners can meaningfully raise funds. This makes tax base *very* important!
 - ❑ Our current mix skews heavily residential meaning that residential bears the burden of any increase and differentiates Transylvania from other counties in the area
 - ❑ Half of Transylvania County is nontaxable (Federal and State Parks/Forests) but requires county services
 - ❑ Residential costs the most in local government services over other types
 - ❑ Some of that residential is second homes, air B&B, etc. State constitution does not allow charging a differential tax rate so legislative action would be required

	Transylvania (33,130)		Henderson County (121,151)		Dare County (38,537)	
Residential Property	5,040,167,342.00	79%	10,467,439,798.00	63%	14,154,651,775.00	85%
Commercial/Industrial Real Property	654,111,462.00	10%	3,094,688,800.00	18%	1,552,167,500.00	9%
Present-use value	35,135,730.00	1%	170,197,216.00	1%	13,500.00	0%
Personal Property	501,220,379.00	8%	2,671,648,195.00	16%	1,026,345,520.00	6%
Public Service Companies	116,731,987.00	2%	326,671,538.00	2%	144,451,838.00	1%
	6,347,366,900.00		16,730,645,547.00		16,877,630,133.00	
	Macon (38,575)		Rutherford (64,482)			
Residential Property	\$ 6,448,116,725	78%	\$ 4,412,408.00	74%		
Commercial/Industrial	\$ 1,071,450,830	13%	\$ 495,788.00	8%		
Present-use value	\$ -		\$ -			
Personal Property	\$ 561,673,699	7%	\$ 657,378.00	11%		
Public Service Companies	\$ 173,065,385	2%	\$ 417,796.00	7%		
	8,254,306,639		5,983,370			

Revenue Highlights for FY 25

- ❑ Property tax base increased by 2%
- ❑ Sales tax was overstated in FY 24 budget, no budgeted increase going into FY 25
- ❑ Medicaid Hold Harmless decrease statewide with FY 24 impact of \$500k and diminished expectations in FY 25
- ❑ Investment income higher for FY 24 and projected into FY 25
- ❑ Fee adjustments in Building Inspections and Child Development
- ❑ Impact of ARPA Funding cliff across state is minimized for Transylvania because of careful allocation.
 - ❑ Some counties are having budget crises.
- ❑ Total budget of \$76,209,010, a net .9% decrease from original FY 24 (Note- \$2 million accounted for currently in Fund 21 so inclusion of that would be 2% increase in budget).

Expense Highlights for FY 25

- Budget prioritizes maintaining staff levels/existing benefits and trying to combat economic inflationary impacts such as fuel
- Baseline annual capital proposed
 - Includes 4 patrol car equivalent with equipment for Sheriff's Office
 - Computer replacements on five-year cycle- evaluating system security
 - Planned IT infrastructure upgrades
 - Communication Tower replacement
 - No ambulance replacement- federal grant underway with support from Congressman Edward's Office
 - 5 vehicles- 1 Maintenance, 1 Building Inspections, 1 Animal Svcs, 2 EMS
 - Transit Van Replacements (2) not included yet while finalizing grant receipt
- Focus is on existing personnel and trying to maintain existing service levels.
 - No new personnel or reclassifications recommended for this year
 - 4 New positions requested, 5 Reclassifications requested
 - Maintains benefits at existing levels
- 2% increase for TCS, BRCC and Economic Alliance
- FY 25 will see transition of some of the planned transfers for capital turn into EMS building payments and School Bond Payments
- Retired debt service for the public safety building
- Courthouse design and Toxaway tower funded from assigned fund balance in the capital fund outside of fund 10

Expense Highlights for FY 25

- Comprehensive Plan and Housing Plan underway
- Presidential Election and Property Revaluation next year
- Community Center Wi-Fi and Capital Improvement Program
- Maintains nonprofit funding for supplemental services
- Grant funding administration- over \$30 million in project grant funds
 - Hart Rd. TIRF Grant Project
 - Emergency Watershed Protection streambank restoration
 - Federal radio grant
 - Solid Waste expansion state grant
 - Water and sewer state grants
 - Sheriff's Office state grant to upgrade interview equipment per DA requirements
 - Dogwood Housing grant
 - State grant for upgrading library broadband internet *Not yet Confirmed*

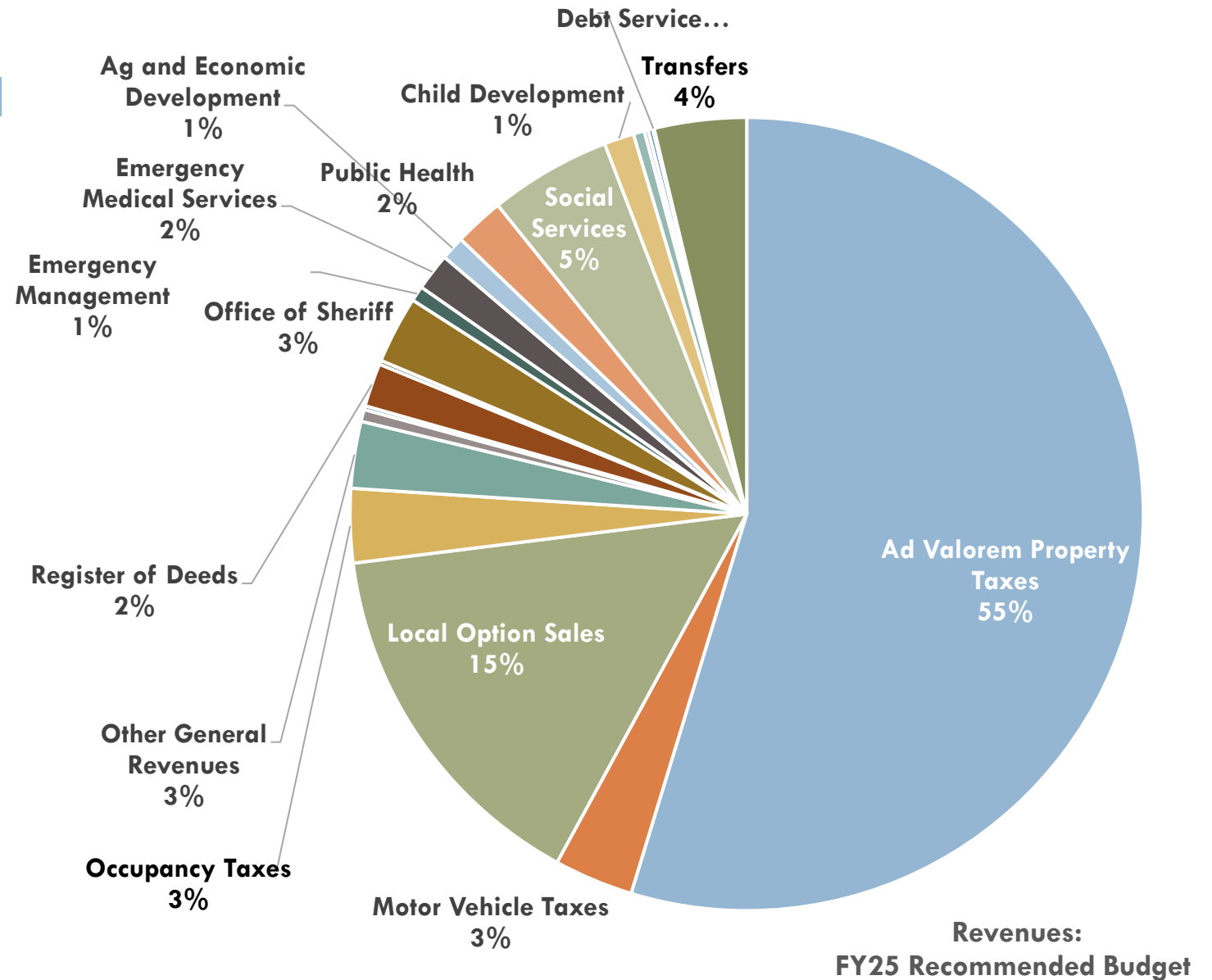
The following projects will have separate capital funds, but will impact work load this fiscal year:

- Completion of the Rosman-Brevard water system interconnect
- Sylvan Valley Industrial Building Phase 2 construction
- Kick off Courthouse Design Process

Revenue Projections

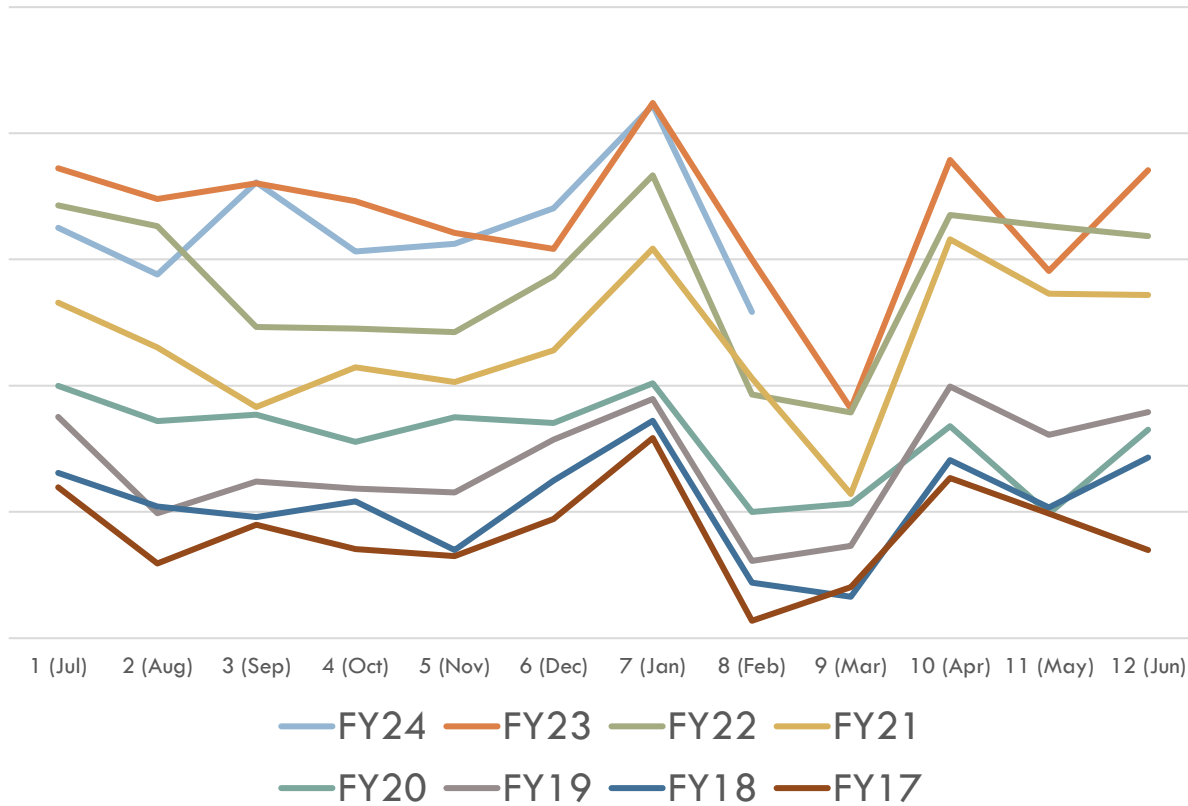


- Property Tax is primary revenue
- Federal Bond Rates are boosting investment income
- Sales Tax growth is down- especially in Art. 40 with population reset impact from 2020 Census
- Medicaid HH Sales Tax Down
- State redistribution from FY 16 reflects loss of \$150k annually for TC
- Investment income up
- Fees increases in Child Dev. and Inspections



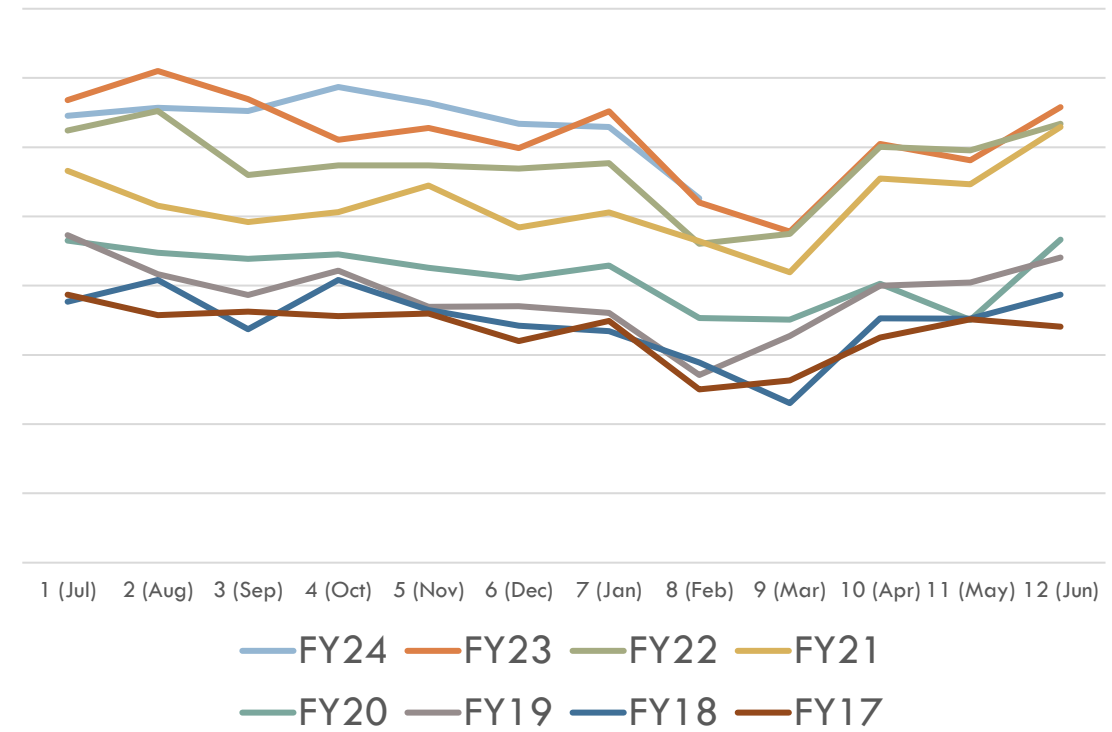
Sales Tax Rev- County Trends

Article 40 YOY*

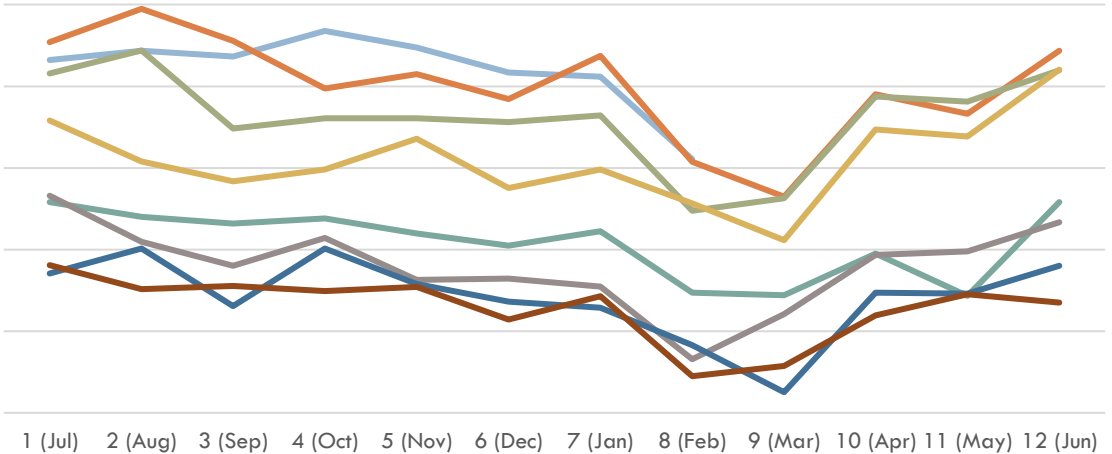


**Per Capita and Not Point of Sale*

Article 39 Year Over Year



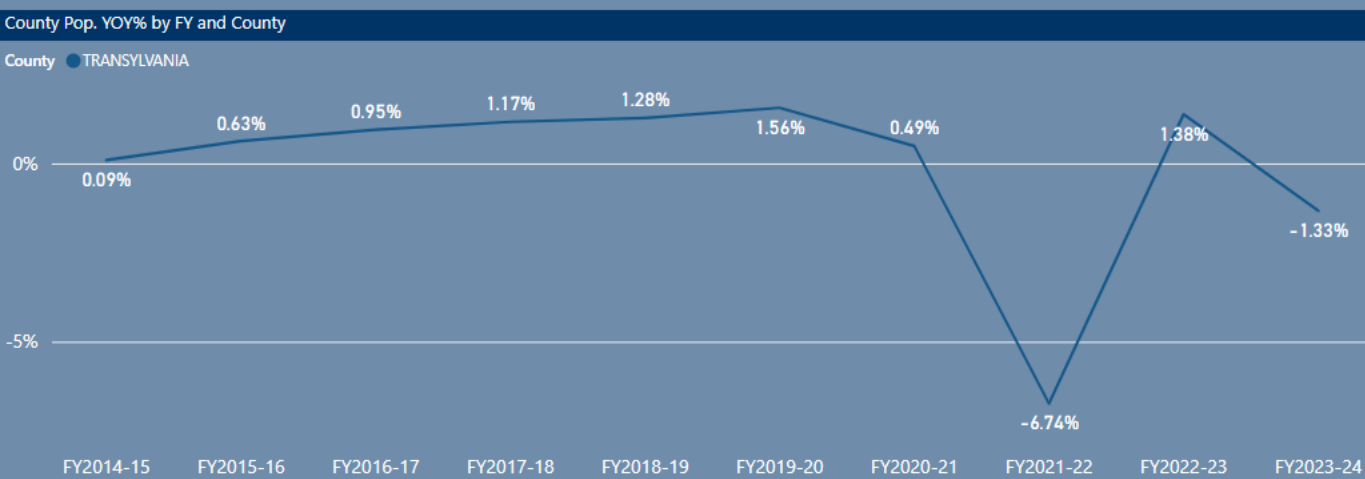
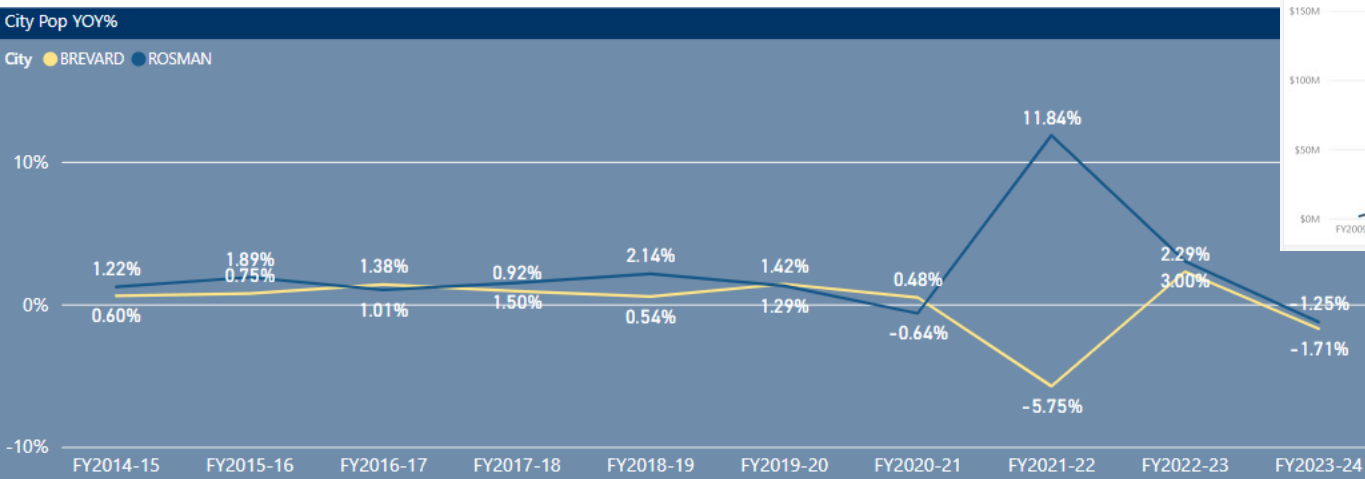
Article 42 Year Over Year



Sales Tax Trend

State Trend Medicaid Hold Harmless Sales Tax FY10-24

YOY Population % Change FY15-24



County Size	County #
MEDIUM	1
Total	1

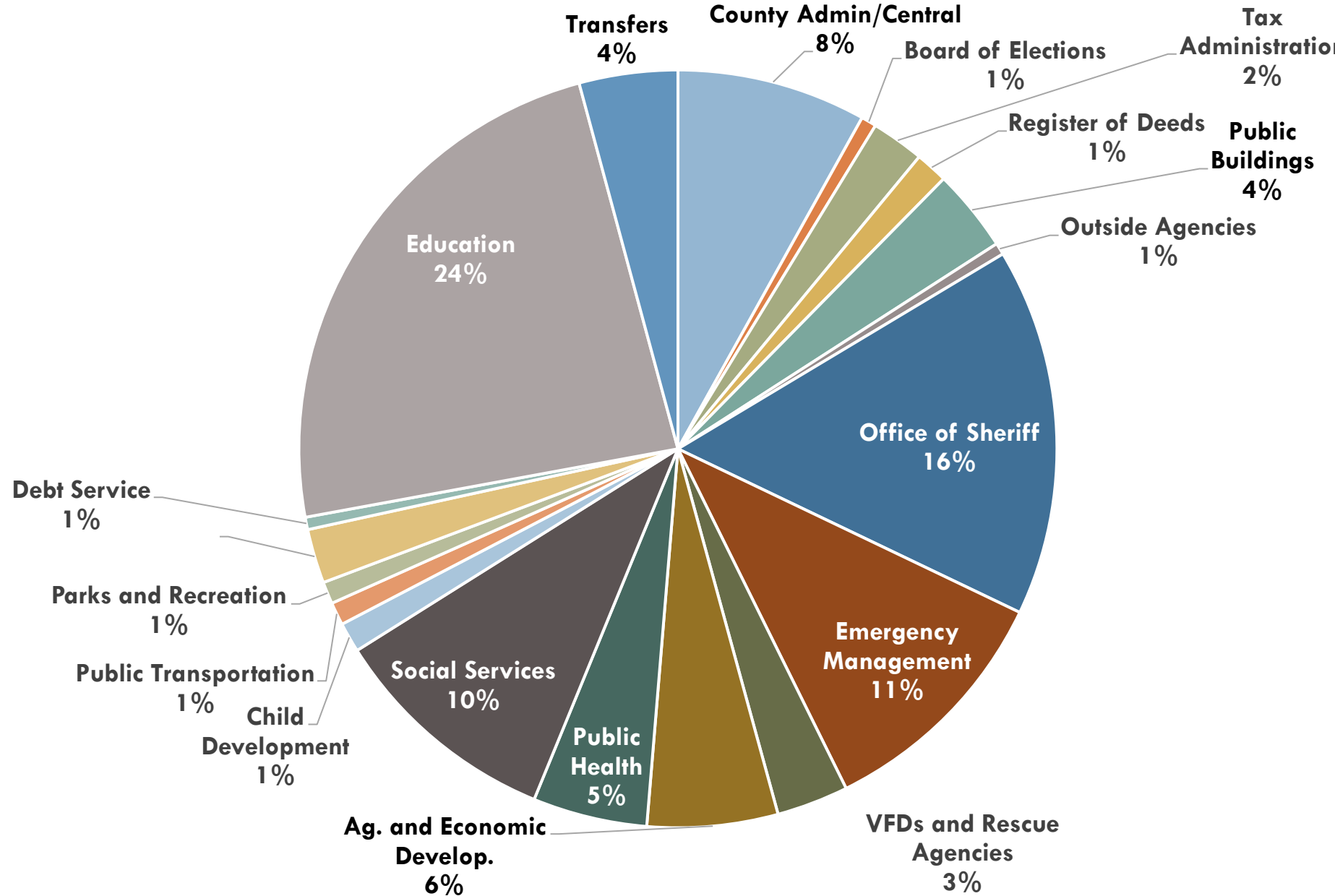
- County
- STANLY
- STOKES
- SURRY
- SWAIN
- TRANSYLVANIA
- TYRRELL
- UNION
- VANCE
- WAKE
- WARREN
- WASHINGTON
- WATAUGA
- WAYNE
- WILKES
- WILSON
- YADKIN
- YANCEY

- Secondary homes and tourism lead to population estimates pushing upwards between Census that then gets corrected.
- Benefit to Transylvania is that the correction dropped the county from Economic Tier 3 to 2.
- Negative is it also impacts population-driven revenue like Article 40.

Expenditu

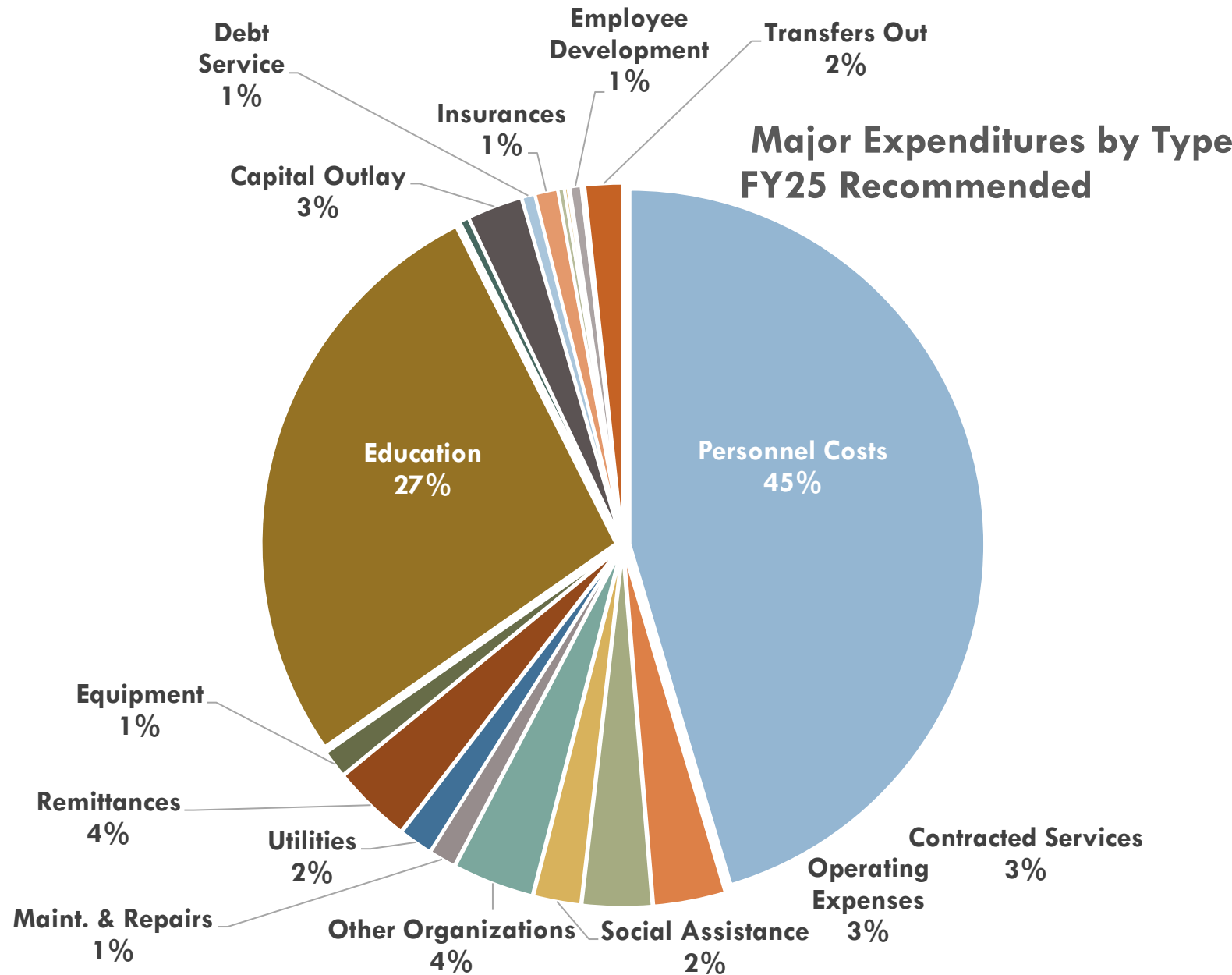
Major Expenditures by Function: FY25 Recommended

- Overall the same distribution of expenditures with some changes such as moving groundskeeping from Parks and Rec to Public Buildings/Operations
- Includes funds going into Education Capital Fund for annual projects and upcoming bond payments



Expenditures

- Personnel are the highest cost in providing county services and accounts for higher when factoring education funding is heavily used for salaries.
- Education funding is the second largest expenditure.
- Remittances, assistance dollars and transfers out are significant portions of the budget.
- Debt Service will shift in FY 25 with bond payments and EMS payments.



Education Funding K-Community College

- K-12 Education recommended for same increase as recommended budget at 2% for operations. Evaluation of budgetary needs was limited due to decision by TCS not to provide a full budget as indicated in the statute, but rate of increase recommended is consistent with property tax base growth. *Note- SRO contract impact*
 - The request for FFE, Vehicles and Equipment is fully funded as requested.
 - Recommend revisiting the DPI recommendations on the ESSR Funding cliff around program evaluation.
 - Local Operational Funding recommended at \$13,614,832 and Capital Funding at \$3 million total to be appropriated by project with projects over \$50k moved to the Education Capital Fund and funds appropriated in the General Fund for FF&E, Vehicles and Equipment for a total of \$835,309. \$2.19 million to fund projects for capital improvement and repair. By project recommendations will be forthcoming. County staff learned last week that TCS may be requesting emergency funds to purchase requested FY 25 boilers by June 1 instead of July 1. Outcome of that request and appropriation will impact available funds for remaining capital recommendations.
- Blue Ridge Community College recommended for Local Operational Funding at \$698,404 and Capital Funding at \$135,490.

Note: Education budgets are submitted with detail; however, once operational funding is approved those agencies may adjust how they spend funds without commissioner approval based on their own priorities.

Education Funding TCS Request for Pre-K

- The increase does not accommodate TCS request for county funding to supplement preschool programs for 99 children who qualify for state funding under NC Pre-K state funds and 36 children under private pay for approximately \$600k.
- Early Education is unquestionably important as we have advocated under the GetSet program started by the county, but the proposal does not meet the requirements of the NC State Constitution for public funding. Public funding may be targeted towards low income, but services that are not must be equitably available. This prevents supplementing a preschool service for some and not all Transylvania preschool children.
- This is why the County Child Development Program must maintain rates that are at or above the private center rates to avoid competition with them and must be operated on fees and not county supplement. Additionally, serving older children has historically helped balance the rates needed for younger children that require a lower ratio for childcare facilities. This is why we have seen infant care almost disappear in our county and in other areas and why I am not recommending this in the budget.

Note- We have seen one closure of a center this year and two sell to larger corporations.

Education Funding TCS Request for Pre-K

- To fund a program that meets the state constitution, it would actually mean plans to serve the whole population of preschool children. I ran a rough funding scenario for operational costs for informational purposes.
- Operational Expenses for 0-5, require \$13.5 million in local funding, roughly 30% increase in property tax *assuming*:
 - 1,250 children 0-5 currently in the county
 - \$1,100 monthly expense per child= Annual cost \$13,200 per child *Market rates do not necessarily reflect this scenario cost due to teacher qualifications required for NC PreK.
 - Total Annual Expense: \$16.5 million
 - Currently Transylvania Community is allocated \$1,126,647 in NC PreK State Funding and \$1,848,000 for childcare subsidy
 - Assuming both revenues would be available, additional funding would be required at approximately \$13.5 million or \$.21 cents on the tax rate (roughly 30% increase).
- This does not factor in the cost of capital investment for buildings that meet state regulations for this age.

Education Funding TCS Request for Pre-K

- **Recommend advocating at state and federal levels for Pre-K availability and affordability to address collective concerns of Board of Education and Board of Commissioners.**

Attempting to solve the childcare and early education affordability and availability problem at the county level would be very challenging. It is relatively easy to move county to county or claim residency across a short geography. Shifting population to take advantage of the benefit would make financial projections more challenging and subject to error. We have seen some of that with K-12 which is why Henderson charges tuition for out of county students in K-12, but that takes enforcement.

This issue is one that will need to be addressed at the state and/or federal level and one that the manager recommends the county continue to advocate for consideration at those levels.

- Build Back Better originally included language to fund Pre-K nationwide for ages 3-5. The major question during that timeframe was whether there would be physical spaces to provide the services. ARPA funding was pushed out quickly and would not have allowed for the capital demand to be met to be successful.

Education Capital Funding Process Change

- **Recommend modifying the Education Capital by Project Funding Process**
 - Consultation with auditor around project documentation. Getting documentation after the fact is challenging.
 - County has a level of responsibility to be sure that fiscal processes are being followed because of the statutory funding responsibility but has not had the ability to troubleshoot up front.
 - School staff have had to put in time to gather documentation requested and there is duplication of invoice processing with school finance processing payment and then requesting reimbursement.
 - Continue to fund by project for projects over \$50k, but follow the process outlined in the PFE Piping Project agreement for larger projects.
 - For Projects \$50k-\$90k
 - School staff handle procurement procedures send a copy of Quote when they make the encumbrance and then send signed invoice to the county for payment to the vendor.
 - For Projects over \$90k
 - School staff handle procurement procedures and submit copies of documentation, contracts include the county, as work is completed, school staff sign off on invoices or payment requests and the county pays the vendor or contractor directly.
 - This eliminates duplication in processing reducing burden on school staff, reduces potential delays in reimbursement and makes it easier to track project information. County staff can help spot issues such as when commissioners need to approve multi-year contracts and eliminate the need to request documentation using the new folders.

Fire Department Budgets

- ❑ Recommendation is to maintain the district rates at 5.5 cents/\$100 valuation and supplement the remainder of the budgets from the General Fund Property Tax. This will require a supplement from the general fund totaling \$1,491,565. This is not a typical inclusion in the general fund tax rate for counties, but necessary to support the imbalanced property valuations in the service districts.
- ❑ Themes from subcommittee meetings with fire departments:
 - ❑ Challenges maintaining volunteers requiring more paid staffing, especially to fill daytime needs for call responses due to few employers with alternate shifts in the area.
 - ❑ Equipment costs are rapidly increasing with long lead times on major apparatus orders.
- ❑ Committee is recommending that all budgets receive increases to fund personnel COLA increases at 3.5% and use of reserve to fund some of the equipment requests in Sylvan Valley II and Lake Toxaway Service Districts
- ❑ Fire Marshall staff will be going over the recommended budgets with each fire department.

- ❑ Future challenges will include long term capital improvements identified by fire departments such as the request by Connestee Fire for a new main station and a new building request by Rescue Squad. Additionally, Sylvan Valley II is primarily covered with a contract with the City of Brevard Fire Department. As the City demand for services continues to grow into a more urban expectation, this makes it challenging to serve a non-municipal service district under contract.

Solid Waste Enterprise Fund Summary

- Balanced budget of \$4,137,310 a 4.7% increase from FY 24 due to equipment purchases including lifts in the garage. FY 24 was down \$662k from prior year.
- Fee Revenue: Sticker sales appear to be coming in steady for FY 24 over FY 23 and scale fees are trending slightly down from prior year. This is typical with economic uncertainty or slow down.
- Balance is from property tax collections from the general fund and is not a typical county practice
- Existing revenue mix of fee adjustments from last year and the operational supplement from the general fund should be sufficient for a few more years, but there is not currently enough funding to save for expansions. The current phase going into construction will extend the life to 2030, but a next phase will require a lot more capital.

General Fund Summary

- Balanced budget of \$76,209,010 with NO tax increase
- 2% increase to Transylvania County Schools, Blue Ridge Community College, and Transylvania Economic Alliance
- No new personnel or reclassifications
- Fire Department Contract increases to support existing personnel COLA at 3.5%
- Maintaining capital replacements including IT and vehicles with one decrease to 4 vehicle replacements in the Sheriff's office due to rapidly increasing costs. Next year will be a goal of restoring to 5 annual replacements funded. Ambulance replacements will resume next year pending grants.
- Fire District rates recommended at \$.055/\$100 valuation
- Any additional funding considerations to fund requests not included in the recommended budget will require an additional tax increase.
- Capital Projects- School Improvements, Courthouse, Infrastructure, Sylvan Valley Industrial Building and Lake Toxaway Tower Replacement

General Fund Recommendation with No Tax Increase

- Capital modeling will need to be revisited with updated assumptions on interest rates, project costs and leveraging cash holdings vs debt service.
- EMS Base payments and Education Bond payments will start in 2025.
- Additional capital needs discussed in FY 24 include aging infrastructure and service capacity for municipal systems in the county and program space needs at Blue Ridge Community College.
- Staff have been highly successful with grants, but these also require careful management to meet requirements in processes and reporting demanding redirecting staffing resources.

Forecasted Needs and Emerging Issues

- ARPA Funding Cliff Fallout
- Retention and Recruitment Workforce Supply- Rapidly changing market may level, but NCACC survey results indicate the county projection for COLA in FY 25 is consistent with the average.
- Support Services Staffing – HR, Operations/Maintenance, Possible IT especially with courthouse
- Staffing with Community Growth and Aging Population- Transit, Inspections, Environmental Health, EMS
- Technology and Cyber Security
- Solid Waste future investments beyond the new cell will require major capital investment. The current operational model does not pay for itself.
- Fire Departments struggling to get volunteers that will end up requiring more staffing and increase pressure on the property tax rate to supplement with paid staffing.
- Education Funding challenges and working towards success within the existing structure
- Major Capital Implementation (\$100 million or more over the next 3 years based on current plans)
- Mental and Physical Health infrastructure for public employees and public

Discussion- *Be patient, be kind, be courteous and be cordial*

- Budget Book for the Recommended Budget will be available end of this week.
- Discuss if you need a workshop- possible dates next Monday or at the May 28 meeting.
 - ▣ Do you need additional data?
 - ▣ Do you need more detail on an area?

Proposed Workshop Format to Attain Consensus

- Facilitator- Jaime
- Present prior information and any known options for each item of discussion
- Open for Commissioner discussion along with questions
 - Start with person who requested item
 - Opportunity for each to speak
- Once it appears there are 3 in agreement or when 15 minutes is reached I will call for a poll for consensus unless Commissioners express interest in continuing discussion.
- When consensus is reached, move to the next item.
- Public Hearing Scheduling- possible dates May 28, June 10, June 24
- *Note: For the purposes of compliance with new state conflict of interest laws, nonprofit funding contracts will not immediately be implemented after adoption of the budget ordinance. Recommendations on nonprofit funding allocations to come.*

Discussion

- Questions?
- Discussion by BOC
 - Workshop?
 - Public Hearing?