



## FY 24 Recommended Budget

# How do we budget?

*Strategic Plan, Goal 6D: Enhance fiscal planning for public dollars while leveraging available revenues to the fullest*

- ☐ 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
- ☐ 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

*Strategic Plan, Goal 6D: Enhance fiscal planning for public dollars while leveraging available revenues to the fullest*

- Develop a long term capital improvement plan (est over \$270 million in addition to the education bond)
  - Education Beyond the \$68 million Bond- Another \$10 million on School's FY 23 list (does not include renovations not complete with the bond)
  - Courthouse \$45-\$50 million
  - BRCC Campus \$35 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 Connesstee for new main station
- Identify revenue to fund capital needs
  - Economic Development and Infrastructure Support- Ecusta Road Project Lease Payments
  - Education Facilities Bond
- Work towards multi-year budget planning in General Fund
  - Vehicle prioritization, computer replacement schedule, long range maintenance evaluation, maintain service levels
- 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

*Strategic Plan, Goal 6D: Enhance fiscal planning for public dollars while leveraging available revenues to the fullest*

- ❑ Maintain existing service levels- most are mandated or required to meet mandates
- ❑ Retention and Recruitment- navigate the local government/public service worker shortage while maintaining service levels
- ❑ 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

# 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 including commissioners and scored in April with recommendations
- School Funding- statutory required May 15, official request not yet in
- Outside Agencies- Fire Departments, Rescue Squad, etc
  - Budget requests due in March, *subcommittee review including commissioners*
- Priorities and Preliminary Discussion
  - Commissioner meetings in April/May to clarify priorities, discuss justifications
- Compensation Study Update tracking alongside budget

# Key Trends for FY 24

*Strategic Plan, Goal 6D: Enhance fiscal planning for public dollars while leveraging available revenues to the fullest*

- ❑ 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 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			



# Key Trends for FY 24

*Strategic Plan, Goal 6D: Enhance fiscal planning for public dollars while leveraging available revenues to the fullest*

- ❑ Transylvania County has historically boasted one of the lowest tax rates in the state- 69<sup>th</sup> ranked (rate of .6033) from high to low in NC according to NCACC data on general fund rates
- ❑ In the last several years there have been discussions about going to a single and rescue tax district and about the inability of solid waste to continue without increased fees. In both discussions, the decision was to use the general fund to supplement, but this is not typically something you find in a county's general fund. Removing those anomalies reflects a ranking of 80<sup>th</sup> in the NCACC data on general funds with a general fund tax rate of .5503.
- ❑ The .6033 tax rate for the general fund makes it look like Transylvania is higher than surrounding counties; however, all of these counties account for solid waste in fees and other revenues outside of property tax and also fund all of the fire and rescue agencies from fire district funds without funds supplementing from the general fund.
- ❑ After factoring for solid waste and fire districts, Transylvania County falls right in the lower-middle for total tax rate for surrounding counties.

## FY 23 Tax Rate Comparison

	General Fund	Fire Tax Rates	Total tax rate minus Solid waste
Transylvania*	0.5503	.028 GF+ .055	0.6333
Henderson	0.561	.09-.14	.651-.701
Rutherford	0.597	.06-.16	.657-.757
Polk	0.5143	.075-.12	.5893-.6343
Buncombe	0.529	.098-.22	.627-.749
Haywood	0.535	.05-.10	.585-.635
Jackson	0.36	.0272-.0294	.3872-.3894

# Key Trends for FY 24

*Strategic Plan, Goal 6D: Enhance fiscal planning for public dollars while leveraging available revenues to the fullest*

## ☐ Recruitment and retention

- ☐ Local government workforce is rapidly shrinking making it harder to maintain existing service levels: School of Government 2022 County Employment Survey reflected that 71% of counties report a somewhat higher or higher turnover rate with 78% also reporting an increase in budgeted positions that remained unfilled
- ☐ Counties are struggling to hire with a sharply decreased qualified workforce: 67% of NC Local Government report a smaller candidate pool and 61% report pay as challenges. 59% also identified competition from other local governments as a reason for the challenges in retaining and recruiting employees.
- ☐ Pay study implementation estimated at \$2 million with 67% of those increases in public safety

## ☐ Technology Advancement

- ☐ Kenwood leaving the public safety market with 2 types of radios phasing out in the next two years and the others to follow. Cost just to county government over \$1 million to replace all radios needed by public safety
- ☐ Technology infrastructure- equipment and software updates with some absolutely critical (ie- jail)
- ☐ Cybersecurity continues to present new challenges, but we need to protect citizen data



# Highlights for FY 24

*Strategic Plan, Goal 6D: Enhance fiscal planning for public dollars while leveraging available revenues to the fullest*

- ☐ Property tax base increased by 2%
- ☐ Total budget of \$78,063,791, a 2% increase from current budget (4% from original adopted FY 23)
  - ☐ **.224** per \$100 to support the general operating expenditures of Transylvania County Schools and funds in preparation for \$68 million bond financed school projects.
  - ☐ **.09** per \$100 to finance the general operating expenditures of the Sheriff's Office including the mandated jail
  - ☐ **.24** per \$100 for all remaining County departments
  - ☐ **.031** per \$100 to support the County's \$2.4 million annual capital improvement plan (with earmarks for potential courthouse renovations as well as pay-go planning funds for economic development, emergency services and parks and recreation)
  - ☐ **.03** per \$100 to support the County's network of partner fire and rescue agencies above and beyond the service district rates
  - ☐ **.017** per \$100 to support the County's Solid Waste Fund which cannot support its operations through user fees

# Highlights for FY 24

*Strategic Plan, Goal 6D: Enhance fiscal planning for public dollars while leveraging available revenues to the fullest*

- ☐ Budget prioritizes maintaining staff levels/existing benefits and trying to combat economic inflationary impacts such as fuel
- ☐ Baseline annual capital proposed
  - ☐ Includes 5 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
  - ☐ Ambulance replacement
- ☐ Focus is on existing personnel and trying to maintain existing service levels especially in public safety
  - ☐ No new personnel
  - ☐ Reclassifications in DSS to allow front desk staff to assist in updating information in NCFast; reclassify Sheriff's Office Narcotics Deputy to Investigator. Several planned retirement overlaps.
  - ☐ Maintains benefits at existing levels
  - ☐ Funds pay plan implementation
  - ☐ Exploring contract for embedded mental health for staff beyond Sheriff's office
- ☐ \$1.2 million for courthouse planning assigned fund balance fund
- ☐ \$1.2 million for pay as you go funds for economic development, emergency services and parks and recreation
- ☐ \$6.2 million for bond payments in Education Capital Fund

# Highlights for FY 24

*Strategic Plan, Goal 6D: Enhance fiscal planning for public dollars while leveraging available revenues to the fullest*

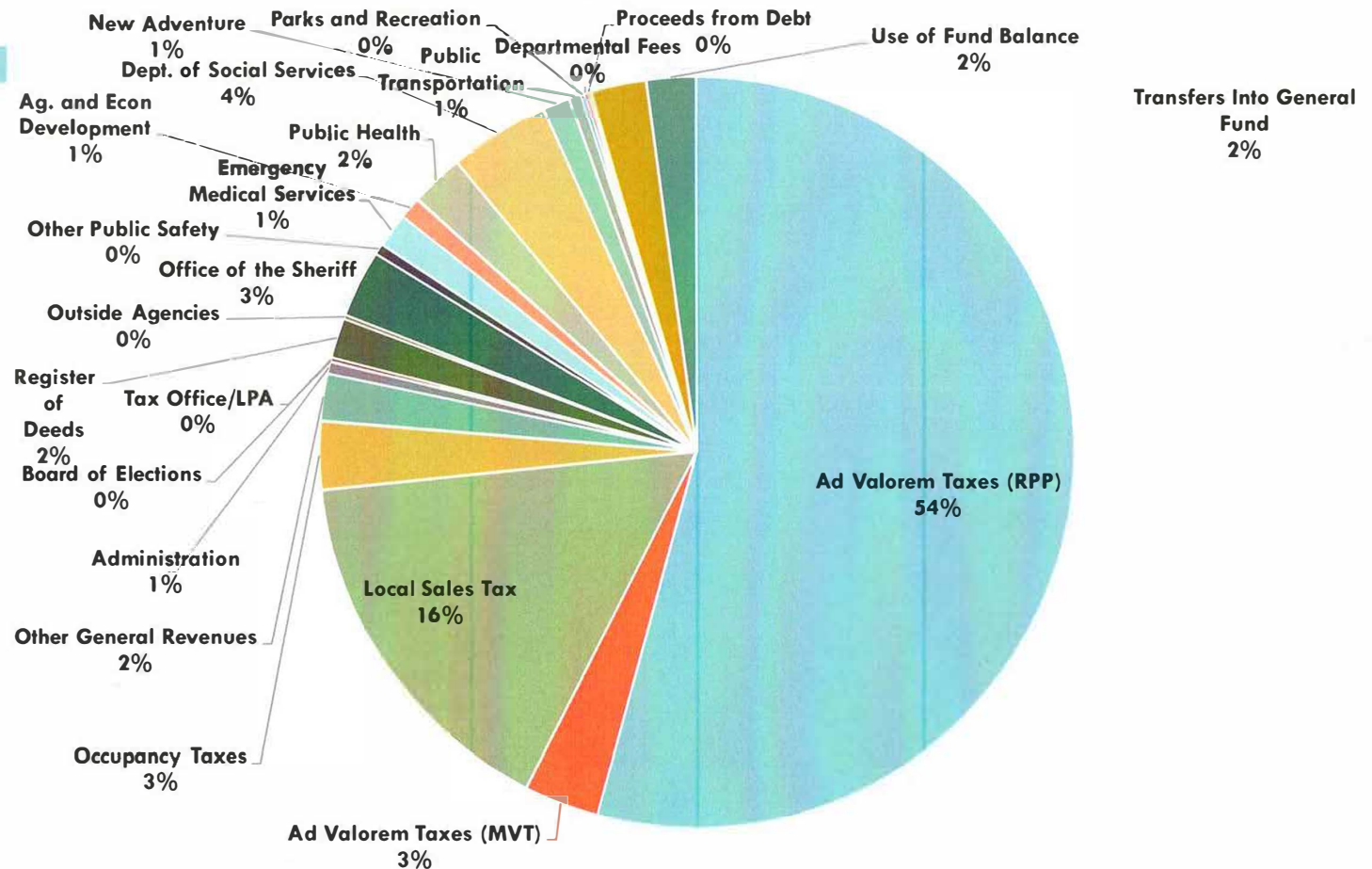
- ☐ Explore operational efficiency and best practices throughout county services- look at ways to maximize staffing
- ☐ Continue work on affordable/workforce housing including a county wide Housing Study, economic development
- ☐ Major Capital Planning
- ☐ Keep current with compensation trend changes
- ☐ Community Center Wifi and Capital Improvement Program
- ☐ Includes Rosman pool support (\$55k for 1 year- 10% increase)
- ☐ Continues leachate agreement with the Town of Rosman (\$50k annual fee+ 2.5 cents per gallon leachate)
- ☐ Nonprofit funding requests were up, but committee recommended changes while staying within same budget levels from prior year.
- ☐ Grant funding to Administer and pursuing grant funding to assist in unforeseen radio needs and communication upgrades

The Following Projects will have separate capital funds, but will impact work load this fiscal year:

- ☐ Completion of the US 64 Water and Sewer Line
- ☐ EMS Base construction completion
- ☐ Sylvan Valley Industrial Building Phase 2 construction
- ☐ Kick off Courthouse Design Process

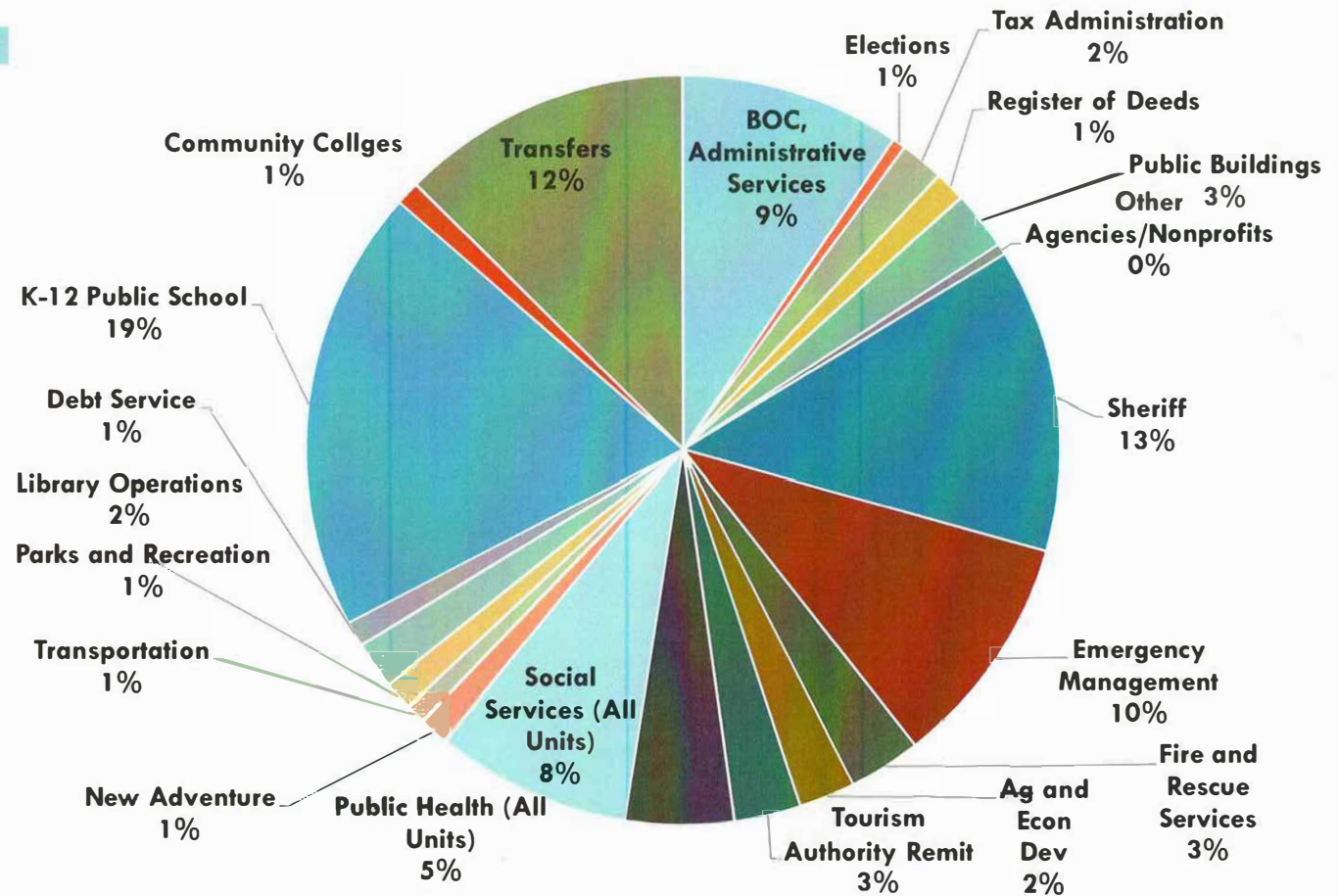
# Revenue Projections

- Property Tax is primary revenue
- Little change in revenue distribution
- Sales tax reflects change of education earmarked sales tax going directly into education capital fund



# Expenditures

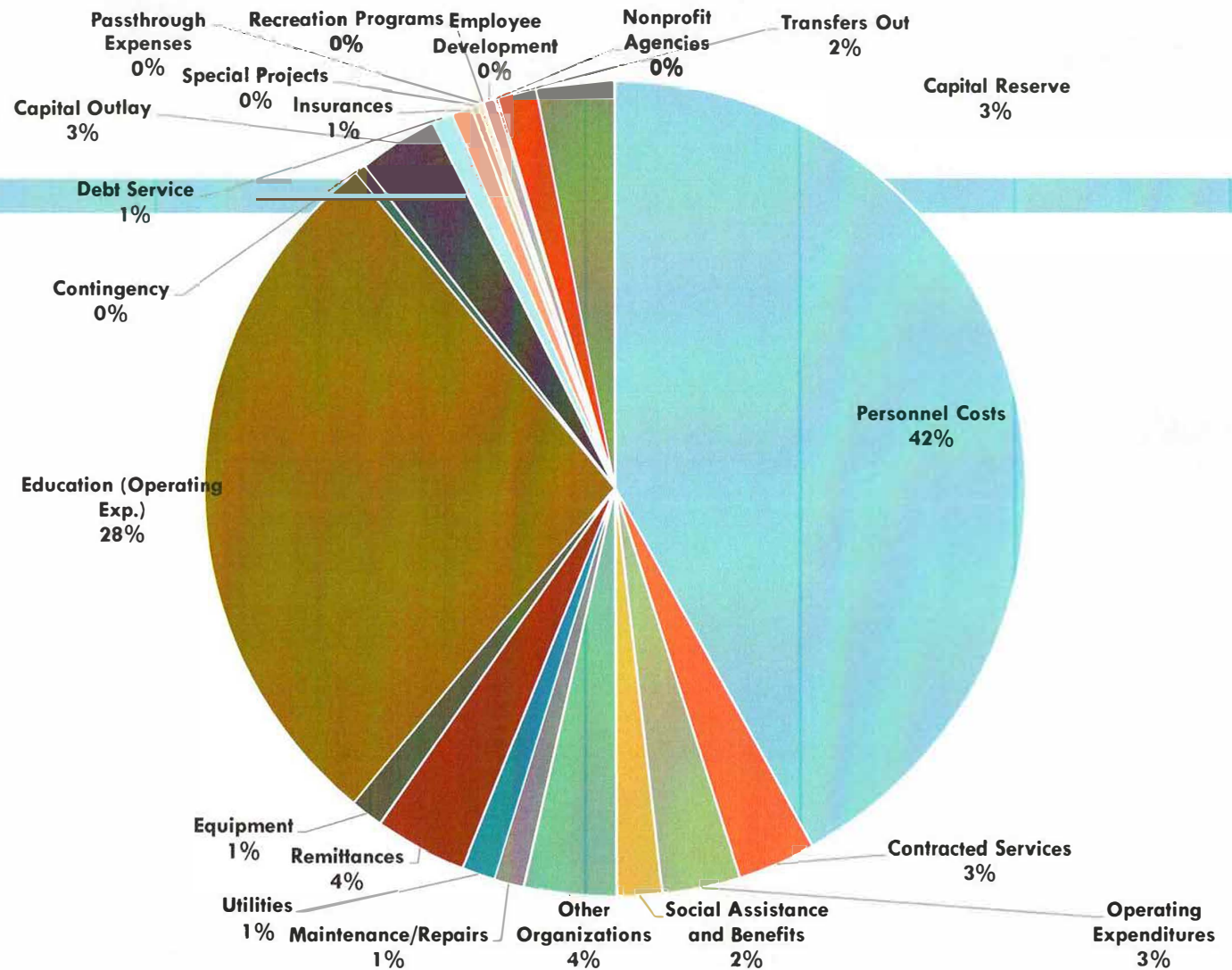
- Overall the same distribution of expenditures with some changes reflected in moving more expenses into central services and reflecting only some of the education capital in the general fund
- Some sales tax for education will go directly into the public school capital fund





# Expenditures

- Personnel are the highest cost in providing county services and shows a slight increase
- Education funding is the second largest expenditure and is reflecting operating expenses
- Remittances, assistance dollars and transfers out are significant portions of the budget
- Operating and Capital Outlay less than 6%
- Low debt service until bond payments become due





# Education Funding Considerations

- K-12 Education recommended for same increase as recommended budget at 2% for operations and 50% increase for capital funding including current year and into the education capital fund from sales tax revenues. There is also \$6.2 million in property tax showing transfer to the education capital fund.
- Funding per ADM has continued to grow with state support such as the Small School funding (\$1.5 million) to take pressure off county property tax payers without compromising confidence in the ability to deliver quality education services (*NC School Forum references our county as 9<sup>th</sup> highest funded with small school/low wealth funding added to county funding before Transylvania began receiving this*)
  - Transylvania County Citizens have a long history of significant local funding support for education, a point of significant pride
  - County funding remains in the 4<sup>th</sup> in the state behind Orange, Dare and Durham followed by Chatham County
  - School system was able to put \$1 million in local funded operational fund balance in FY 22
- Local Operational Funding Recommended at \$13,086,152 and Capital Funding at \$3.1 total to be appropriated by project with projects over \$50k moved to the education capital fund and funds designated in the budget for FFE. \$1.6 million is reflected in the general fund for annual capital needs pending receipt of the capital needs list so that it can be appropriated by project.
- Blue Ridge Community College recommended for Local Operational Funding at \$655,321 and Capital Funding at \$161,200 *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*

# Fire Department Budgets

*Strategic Plan, Goal 6D: Enhance fiscal planning for public dollars while leveraging available revenues to the fullest*

- ☐ Recommendation is to set 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 an increase in the portion of the tax rate that is dedicated to fire departments of approximately 0.43 cents. This is not a typical inclusion in the general fund tax rate for counties.
- ☐ Second year of subcommittee review of requests and making recommendations
- ☐ Major Requests included in recommendation:
  - ☐ Rosman and Conestee: Funded day time staff person for coverage
  - ☐ Sylvan Valley II: No additional staff or GF transfer for City, increased revenue to coverage from N Transylvania and Little River by \$30k each
  - ☐ Rescue Squad: Included paid bookkeeper and 2 apparatus replacements
  - ☐ Throughout: Made recommendations for some modifications to submitted budgets and/or moving some expenses to request from district reserves.
- ☐ Committee heard requests totaling \$7.8 million for fire and rescue agencies and recommend funding \$6.14 million with a net increase to the budgets of \$310,000 and a 5% increase overall.
- ☐ Fire Marshall staff will be going over the recommended budgets with each fire department. 5 of the 9 agencies were funded their requests completely or close to completely.

# Solid Waste Enterprise Fund Summary



- Balanced budget of \$3,948,851 a decrease from FY 23 of \$662k
  - ▣ Fee Revenue: \$2,651,741 \*Sticker fees are down 70% and staff have identified 2 cases of fraud that have processed through judicial process
  - ▣ 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
- Next year's expansion will require cash from the general fund balance (ARPA revenue replacement with other savings) totaling \$5.8 million

# General Fund Summary

- ❑ Balanced budget of \$78,179,791
- ❑ Continuing tag office and passport services
- ❑ No new personnel, two reclassifications
- ❑ Fund pay study implementation and increase in fire department supplements
  - ❑ Does not include benefit recommendations from study and personnel board (401k, longevity)
- ❑ Maintaining capital replacements including IT and vehicles
- ❑ Tax rate recommended to increase in the general fund to \$.63/\$100 valuation, an increase of \$.0267 to gain \$1.9 million in revenue- First Operational Tax Increase requested in over 8 years
  - ❑ 16%, \$310k Fire and Rescue Agencies
  - ❑ 56% public safety salary studies, 28% remaining salary study: \$1.59 million
  - ❑ **Additional revenue is 72% public safety and necessary to ensure services continue without interruption**
- ❑ 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.

# General Fund Summary Revenue Needs

- General fund tax would total \$.63/\$100 valuation
  - ▣ \$.03 cents to fire and rescue, \$.017 solid waste
  - ▣ Comparison GF Tax Rate \$.583/\$100
  - ▣ Total for Proposed Comparison to other counties \$.668 including fire districts

## Cost of Proposed Tax Increase

Home Valuation	Current Annual Property Tax	Proposed Increase Annual Cost	Total Annual
	0.6033	0.0267	
\$200,000	\$1,207	\$53	\$1,260
\$400,000	\$2,413	\$107	\$2,520
\$600,000	\$3,620	\$160	\$3,780

## FY 23 Tax Rate Comparison

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# General Fund Revenue Option with No Tax Increase

- General fund tax stays at \$.6033/\$100 and maintain tax rate as it is
- Reduce \$8.6 million in capital reserve funding budgeted in the next year by \$1.9 million with reductions in all planned transfers
  - ▣ Slow contributions to parks and rec fund (balance \$1.2 million end of FY23)
  - ▣ Courthouse fund has enough to cover professional fees required to move forward as BOC directed (\$5.8 million as of FY 23 end)
- May have future impacts on capital plans because the full \$8.6 million has been used in capital modeling to fund coming needs
- Delay in bond sale means surplus in education capital fund (\$24 million balance at end of FY 23), more than 3 annual bond payments saved
- Increase in sales tax required to be dedicated to school capital is up over a \$1 million from a few years ago and will be going into the education capital fund
- EMS Base payments will start in 2025



# Forecasted Needs and Emerging Issues

- Retention and Recruitment Workforce Supply- Rapidly changing market
  - ▣ Current recommendation gets us to competitive as of now and the future is uncertain
  - ▣ Will need to either fund same services at higher level or consider reductions in services
- Support Services Staffing – HR, Operations/Maintenance, Possible IT
- Staffing with Community Growth and Aging Population- Building and Environmental Health, EMS
- Staffing with Capital Growth- Courthouse Security, Support Staff
- Technology and Cyber Security
- Solid Waste New Cell and Cell Closures
- Fire Departments struggling to get volunteers that will end up requiring more staffing and increase pressure on the property tax rate
- Education Funding
- Major Capital
- Mental and Physical Health infrastructure

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

- Budget Book for the Recommended Budget will be available end of this week.
- Identify topics for the workshop May 22 that *do not* have consensus tonight so that we can prepare information for discussion
  - ▣ Do you need additional data?
  - ▣ Do you need more detail on an area?

### Proposed Workshop Format

- 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 on Budget to be held at least on June 5 and June 26 Board of Commissioner meetings
- *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.*

# Discussion



- Questions?
- Discussion by BOC