

# Fiscal Year 2017–2018 Manager Recommended Budget

Board of Commissioners Chambers  
Wentworth, NC  
May 15, 2017

# Budget Team Members

- Lance L. Metzler – County Manager
- Paul Murray – Strategic Management Director
- Patricia Galloway – Financial Services Director
- Kelly Burton – Deputy Finance Director
- Justin Thacker – Accounting Specialist
- Mike Greene – ICMA/NCACC Management Fellow



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# Rockingham County Strategic Planning

- **Vision:** Provide the best quality of life educationally, economically, and environmentally.
- **Mission:** Rockingham County Government will strive to provide the highest quality of life and the opportunities to achieve it.
- **Strategic Focus Areas:**
  - Economic Development
  - Organizational Efficiency and Effectiveness
  - Public Safety
  - Citizen Engagement / Communication
  - County Appearance / Environmental Enhancement
  - Quality of Life
  - Education



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# Budget Process

- Guiding Principles
  - Hold departmental budgets **flat or decrease**, if possible.
  - Look for opportunities to **increase efficiencies to reallocate dollars** towards Commissioner Strategic Focus Areas.
- The budget process formally began in February, at which time I requested each department to carefully scrutinize each line-item in their budget and submit a 2% reduction plan along with their current year budget request.
- After budget requests were submitted to the budget team, we arrived at a General Fund budget deficit of **\$1.7 million** or the equivalent of **2.4 cents** of the property tax rate.



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# Recommended Budget Overview

- Recommend **zero (0)** property tax rate increase.
  - Keeps tax rate flat at **\$0.696** per \$100 valuation.
  - **8<sup>th</sup> consecutive year** with no County property tax increase.
- Total General Fund Budget – **\$92,132,665**
  - Represents a \$171,415 or 0.2 % **decrease** from the current General Fund budget.
  - Largest decrease in General Fund budget in over 5 years.
- Total Budget (All Funds) – **\$128,514,909**
- One Penny = **\$705,212** (FY 2016/17 Adopted - \$699,798)



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# Revenues – Ad Valorem

- **Ad Valorem – \$49.8 million (increase of \$344,571 or 0.7%)**
- Represents the largest source of discretionary revenue.
- Comprised primarily of four parts:
  - Real property – Value is projected to **increase** 0.91% or \$44.7 million next year, driven by experience in the current year and normal growth.
  - Personal property – Value is projected to **decrease** 2.8% or \$20.7 million, driven by the closing of the MillerCoors Plant in Eden.
  - Public utilities – Value is projected to **decrease** 4.65% or \$36.6 million due to normal depreciation.
  - Motor vehicles – Value is projected to **increase** 7.7% or \$52.9 million based on experience in the current year.



# Significant Personal Property Changes

- **Closing of MillerCoors Plant in Eden**

- MillerCoors, the County's second largest taxpayer, closed its Eden Plant in September 2016.
- Represented over \$162 million of the County's tax base in the current year.
- Miller requested to reduce its 2017 personal property valuation by approximately 90% (from \$128 million to \$15 million).
- Final impact not known – the budget therefore accounts for a potential loss of **\$53.4** million in value or approximately **\$370,000** in revenue from this closure.

- While this is a significant loss for the community, other industries are growing, including:

- **Sturm, Ruger & Co., Inc.** – Increasing \$10 million or 41% in personal property value.
- **Mohawk Industries** – Increasing \$4.1 million or 88% in personal property value.
- **Henniges Automotive** – Increasing \$3.1 million or 15% in personal property value.
- **Carolina Freightways** – Increasing \$3 million or 69% in personal property value.
- **Pine Hall Brick, Inc.** – Increasing \$3.1 million or 23% in personal property value.



# Revenues – Sales Tax

- **Total Sales Tax – \$9,479,085 (increase of 425,371 or 4.7%)**
- Second largest of source of discretionary revenue.
- Non-State Distribution Plan Sales Tax (increase of \$171,804 or 2.1%) – Increase based on actual experience in the current year.
- State Local Sales Tax Distribution Plan (increase of \$253,567 or 24.1%) – Increase based on current year collections.





# Revenues – Other Key Changes

- **Jail Rental Fees (increase of \$50,000)**

- To maximize County revenue, the Jail rents available bed space to the State Misdemeanant Confinement Program and other law enforcement agencies at a daily rate. The revenue increased next year based on better than expected actual revenues in the current year.

- **Social Services – Child Care Subsidy Revenue (increase \$428,830)**

- Child Care Subsidy revenue is a combination of state and federal funding that is used to assist qualifying families with the cost of child care through a voucher system. This revenue increase is **fully offset** with a matching expense to provide these vouchers.

- **Building Inspection Fees (increase \$65,000)**

- This revenue is increased next year based on actual experience in the current year. Both total building permits as well new home starts are increasing, experiencing 21.3% and 49.4% increases respectively when comparing 2016 and 2012 calendar year levels.



# Revenues – Other Key Changes

- **Elections Fees (increase of \$38,570)**

- While the County Board of Elections performs municipal elections, the cost of these elections are reimbursed by the municipalities. With municipal elections scheduled in 2017, this revenue is therefore increased.

- **Landfill Tipping Fees (increase of \$700,000)**

- This revenue is increased next year based on actual experience in the current year. The tonnage received at the Landfill between July and March of this fiscal year is 9% higher than the same time period in the previous year and 22% higher than the same time period three years ago.
- Fosse (former Greer Recycling), Unifi have been bringing 10-12 trucks per day.



# Revenues – General Fund Balance

- **General Fund Fund Balance** – The Recommended Budget appropriates \$2,512,560, a **decrease** of \$1.8 million from the current year’s budget. This appropriation is comprised of:
  - **\$2.33 million** in expected unspent funds (surplus) due to the nature of budgeting. This is a reduction of approximately \$466,000 from the current year.
  - **\$178,496** in anticipated unearned Duke Energy incentive dollars that are budgeted but not expected to be paid out.
- In addition to the reduction in expected unspent funds, the decrease in applied fund balance also stems from:
  - \$762,802 necessary to balance the General Fund in the current year’s budget.
  - \$601,380 in one-time Kate B. Reynolds Charitable Trust grant dollars for the Integrated Health Program.



# Expenditures – New Positions

- **5 Social Worker III Positions**

- (1) Adult Protective Services/Guardianship
- (2) Child Welfare – Foster Care and Adoptions
- (2) Child Welfare – Child Protective Services

- **1 Social Work Supervisor (Child Welfare) III Position**

- **3 Income Maintenance Caseworker II Positions**

- (2) Medicaid
- (1) Food and Nutrition Services

- County cost is only approximately \$174,000 for these 9 new positions due to Social Services ability to draw down between 50% – 75% of the cost from outside funding sources.



# Expenditures – Existing Positions Eliminated

- (1) Vacant Human Services Program Manager
- (1) Vacant Program Integrity Investigator
- (1) Vacant Environmental Health Specialist
- (2) Vacant Pharmacy Part-Time (1 permanent and 1 non-permanent)
- (5) Filled Front Desk (Switchboard Relief) non-permanent part-time positions (*item for further discussion*)
- (3) Filled Alternative Learning Teachers (1 permanent part-time, 2 non-permanent part-time)



# Expenditures – 2019 Revaluation of Property

- NC General Statutes mandate counties to conduct a revaluation of property at least once every eight years.
- The Budget includes **\$135,400** for the County to continue work towards the upcoming 2019 revaluation.
- Funds will be used primarily to contract with an outside firm to assist with field visits, consultation for the schedule of values, land and neighborhood pricing, and assistance in the appeals process.



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# Expenditures – Significant Capital (General Fund)

- **Sheriff's Office Vehicles (\$276,686)** – This will allow the Sheriff's Office to purchase at least 9 vehicles to maintain a sustainable replacement cycle for this critical fleet.
- **Emergency Medical Services (\$393,809)** – This funding will be primarily used to allow EMS to replace two ambulances.
- **Information Technology Services (ITS) (\$156,850)** – This is to purchase items such as replacement laptops and desktops, additional server storage, replacement EMS toughbooks, and spare network switches in the event of an unplanned failure.
- **Building Inspections (\$26,886)** – This will allow Building Inspections to purchase a new extended cab 4X4 truck, and transfer their existing 2017 4X4 4-door truck to Soil and Water Conservation.



# Expenditures – Significant Capital (Other Funds)

- **Water & Sewer Funds (\$84,161)** – Recommended capital in these Funds next year includes 10 water taps and 3 sewer taps, pax mixers for the Huntsville and Red Birch water tanks to maintain high water quality, wet well rehabilitation, and warning light bars for vehicles to ensure worker safety at night repairs.
- **Landfill Fund (\$776,500)** – These expenses are primarily for a Caterpillar 730C articulated off-road dump truck and John Deere 755K Crawler Loader. These two pieces of equipment are critical for daily operations and the current equipment used, while not yet at end of life, is aging and does not have any backups.





# Expenditures – Credit Card Acceptance

- The Budget includes **\$40,000** in the ITS budget to contract with consultants to perform a PCI (Payment Card Industry) compliance audit, as well as to research, plan, and implement the use of credit cards in County departments and online.
- Departments such as **Landfill, Water and Sewer, Inspections, Central Permitting, Public Health, Sheriff, and Register of Deeds** can currently only accept cash, check, money orders, and/or certified business checks.
- Barring any major findings in the compliance audit, this funding will allow the County to accept credit and debit cards countywide (both in-person and online) and forward the Commissioners' goal of organizational efficiency and effectiveness.



# Expenditures – Elections

- The Rockingham County Board of Elections requested a **\$170,000 increase** from its current year adopted budget. This requested increase was driven by several not-yet-definite items:
  - 2017 Primary and 2017 Countywide Elections
  - 2018 Second Primary Election
  - New 4<sup>th</sup> Board of Elections member
- Given the unknown nature of these additional elections and board member, the Recommended Budget includes a **smaller \$33,000 increase** to address the definite 2017 Municipal and 2018 Primary Elections and normal Board of Elections operations. *(Note: this expense increase is more than offset with an additional \$38,570 in Elections revenue for providing the municipal elections).*
- We may need to come back to the Board during the year for additional funding if any of the additional elections or 4<sup>th</sup> Board Member are necessary.



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# Expenditures – ABM Energy Efficiency Upgrades

- In September 2015, the County entered into an Energy Service Agreement with the private company ABM.
- Through this agreement, ABM would make energy efficiency improvements at County facilities and guarantee that the dollar savings from these efficiencies would be enough to offset the annual debt payment on the financed cost of the improvements.
- ABM completed these upgrades in late 2016, and the Recommended FY 2017/18 Budget therefore includes an additional **\$240,942** for the debt payment for these upgrades.
- In order to offset the cost of this debt payment, however, **departments' individual utility line-items were reduced** in anticipation of the energy savings.



# Expenditures – Rockingham County Schools

- Per North Carolina General Statutes, local Boards of Education have until May 15<sup>th</sup> to submit their proposed budget to the County.
- Proposed budget not yet received as of this writing.
- Budget maintains the current year appropriation for Current Expense (**\$15,834,840**) and Capital Outlay (**\$882,525**), despite a consistent decline in school enrollment.



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# Expenditures – Rockingham Community College

- Rockingham Community College (RCC) requested a **4.9% increase** (\$106,144) in Current Expense and a **443% increase** (\$743,887) increase in Capital Outlay.
- Current Expense funding is maintained at the current year's appropriation (**\$2,164,473**).
- Capital Outlay is increased slightly (\$1,160) to **\$169,091** due to the declining debt payment for the RCC Science Labs project.



# Expenditures – Other Notable Items

- **Employee Pay**

- No merit increase or cost-of-living pay adjustment (COLA) is included in the Recommended Budget.

- **Contingency**

- The Budget includes a contingency amount of **\$200,000** to cover unforeseen expenses that come up during the year. These types of expenses will happen more frequently with such a lean budget.

- **Fire Districts**

- No fire districts are requesting to change their fire tax rate for FY 2017/18.
- No tax rate was requested or included for the recently established Pelham Fire Protection Service District.



# Future Budget Pressures

- **Maintaining salary plan** – While the Springsted Classification and Compensation Study put the County in a much better position to attract and retain high quality employees, it will require annual maintenance to ensure we do not end up back in the same place.
- **Health Insurance** – No increase is budgeted for health insurance costs next year and no plan/contribution rate changes are recommended. While not a budget issue next year, regular increases are common and should be expected in the future.
- **Full Impact of MillerCoors and Ball Metal Plant Closings** – The full impact of these closures will not be evident for at least the next year, and as such, we must remain aware that further reductions in these values may be possible.



# Performance Measurement Program

- While it is critical that we prepare, present, and discuss the fiscal elements of the annual budget, it is just as important that everyone understands what these revenues and expenditures provide.
- We track and measure impacts and outcomes because this is what matters to the citizens, elected officials, and decision makers.
- Fiscal Year 2017/18 prescribes performance measures across virtually the entire County, including.....



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# Performance Measurement Program

- Achieve at least 10 project announcements. These could come from any sector including small businesses, startups, existing/expanding/new industries, commercial development, or tourism related ventures. (Economic Development)
- At least 2,150 youth will gain knowledge of STEM (Science, Technology, Engineering, and Math) through Cooperative Extension classes and programs. (Cooperative Extension)
- Collect at least 70 pounds of single-stream recyclables per unincorporated Rockingham County resident. (Landfill)
- Dispatch at least 90% of all emergent calls for service within 90 seconds, with 99% dispatched within 120 seconds (excluding “be on the lookout” calls). (911 Communications)
- Place, adopt, or owner reclaim at least 90% of adoptable animals. (Animal Shelter)
- Respond to at least 85% of maintenance work orders (excluding major projects) within 2 business days. (Engineering and Public Utilities)



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# Conclusion

- Department heads and staff were very accommodating in meeting deadlines and sharing information.
- We used all tools at our disposal to present a balanced budget that largely preserves funding for County services without a proposed tax increase.
- This budget will ensure that County operations continue to meet and exceed performance goals and provide citizens with quality programs and services.



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# Next steps: Budget Worksession

May 19<sup>th</sup> – 8:15 am  
Commissioners Room