



CHEROKEE COUNTY

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May 10, 2018

CHEROKEE COUNTY BUDGET MESSAGE Fiscal Year 2018-2019

In accordance with North Carolina General Statute §159-11, the Cherokee County Fiscal Year (FY) 2018-2019 recommended budget is respectfully submitted for your review and consideration. The recommended budget sets forth a plan of operation for all county departments, programs, and capital projects for the coming fiscal year. This recommended budget is balanced in accordance with the Local Government Budget and Fiscal Control Act with total revenues and expenditures for all funds totaling \$44,212,558.

Introduction

Cherokee County's FY 2018-2019 recommended budget is designed to function as a plan in guiding departmental operations and funding partner agencies in an attempt to accomplish the goals and objectives communicated by the Board of Commissioners.

This recommended budget is presented with the following notable highlights:

- **No increase to the current property tax rate of 52 cents per \$100 of valuation**
- **No increase in fee schedules**
- **Provides for capital replacement of vehicles and equipment across various departments**
- **Provides for a salary plan adjustment**
- **Includes a \$184,539 addition to General Fund Balance**

We will continue to monitor legislative changes and budgetary proposals coming out of the Legislature that could impact our local budgeted revenues and expenditures and will communicate such information to the Board to address any necessary changes to this recommended budget prior to their adoption of the FY 2019 Budget Ordinance.

An expenditure schedule by function and department for the FY 2018-2019 recommended budget is provided at the end of this message as Attachment A.

Total County Funds

The FY 2018-2019 recommended budget for all Cherokee County Funds has an annual budget totaling \$44,212,558. The County has established an annual budget for six separate funds. These funds can be further paired into the following fund groupings:

Cherokee County Budget by Fund Fiscal Year 2018-2019

General Fund		<u>\$38,083,967</u>	<u>86.1%</u>
Special Revenue Funds:			
Revaluation Reserve Fund	404,591		0.9%
911 Fund	302,300		0.7%
Fire Districts	1,610,000		3.7%
Bear Paw Service District	311,700		0.7%
Debt Service Fund	<u>3,500,000</u>		<u>7.9%</u>
Total Special Revenue Funds		\$ 6,128,591	13.9%
County Total		<u><u>\$44,212,558</u></u>	<u>100%</u>

General Fund- The general fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, sales taxes, federal and state grants, and various other taxes and user fees. The primary expenditures are for general government services, public safety, human services, and education.

Special Revenue Funds- Special Revenue Funds are used to account for specific revenue sources that are legally restricted to expenditures for specific purposes. The County will maintain five Special Revenue Funds: Revaluation Reserve Fund, 911 Fund, Fire Districts Fund, Bear Paw Service District Fund and the Debt Service Fund.

Capital Projects Funds- Capital Projects Funds are used to account for the financial resources to be used for the acquisition and construction of major capital facilities. These funds have a project budget as opposed to an annual budget.

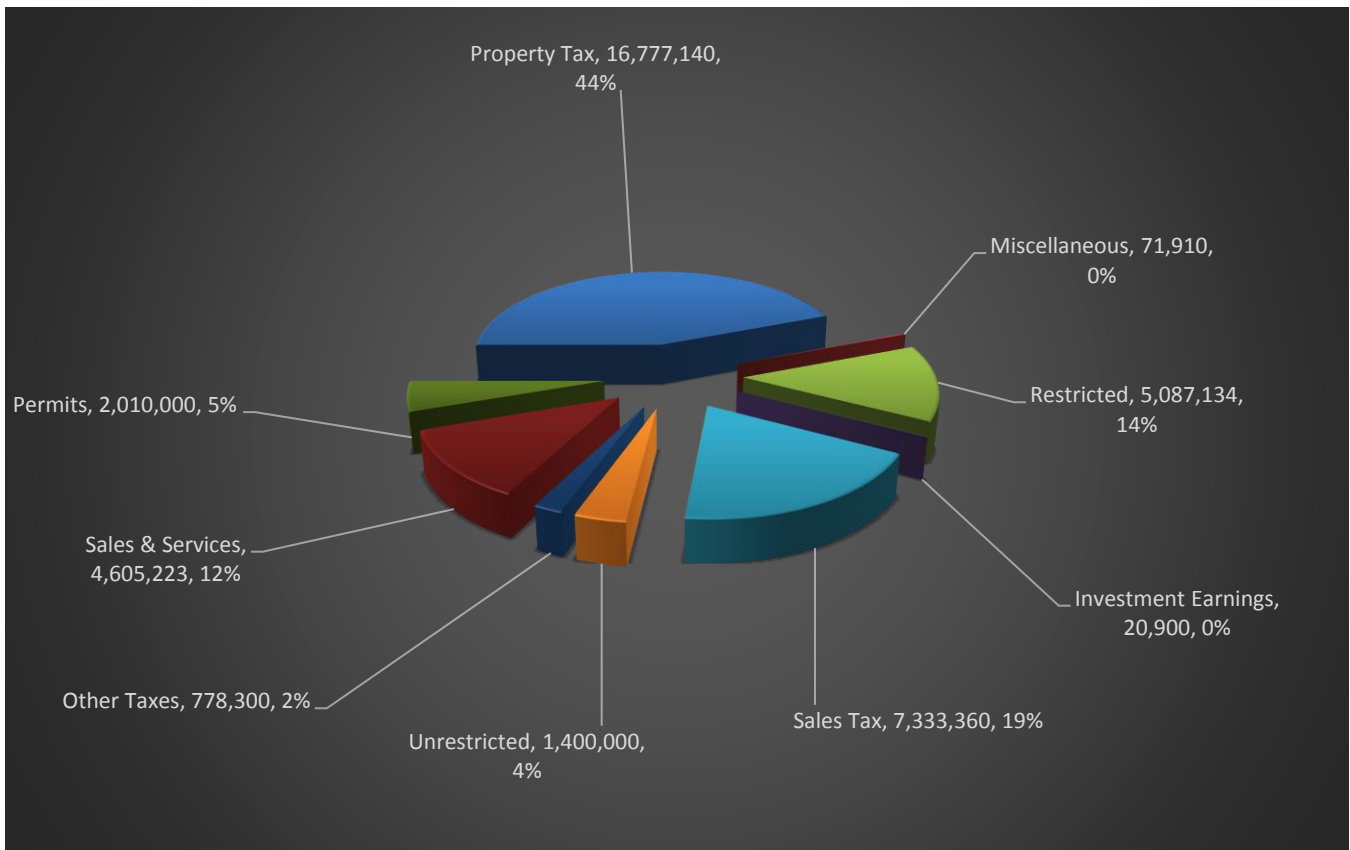
Enterprise Funds- Enterprise Funds are used to report any activity for which a fee is charged to external users for goods or services. Cherokee County does not currently have an active enterprise fund.

General Fund Revenues by Category

The General Fund with estimated revenues totaling \$38,083,967 derives its revenues from a variety of sources as shown below:

**Cherokee County
Sources of County Revenue
FY 2018-2019**

	Recommended	% of Total
Property Tax	16,777,140	44.0%
Miscellaneous	71,910	0.2%
Restricted	5,087,134	13.4%
Investment Earnings	20,900	0.1%
Sales Tax	7,333,360	19.2%
Unrestricted	1,400,000	3.7%
Other Taxes	778,300	2.0%
Sales & Services	4,605,223	12.1%
Permits	2,010,000	5.3%
	\$38,083,967	100.0%



The County's largest revenue source is derived from ad valorem property taxes. For FY 2018-2019 it is recommended that Cherokee County **remain at the rate of 52 cents per \$100 of valuation** providing \$16,777,140, or 44.0%, of the total General Fund Budget, which includes current and prior years collections for both real and personal property, interest and penalties.

Our ad valorem collection rate has been increased to 97.62% for FY2019. Our Tax Collection staff continues to work diligently toward improvements in our collection methods. As the property tax remains the only revenue source controlled locally, it is imperative to maintain a high collection rate to provide an equitable distribution of taxes.

The motor vehicle tax collection rate has remained at 99.94%

Sales tax revenues account for our second largest, unrestricted, revenue source. While we have experienced very slight increases in sales tax collections we are conservatively maintaining our current position. After a year of data, Article 46 is projected slightly higher for FY2019 at \$750,000.

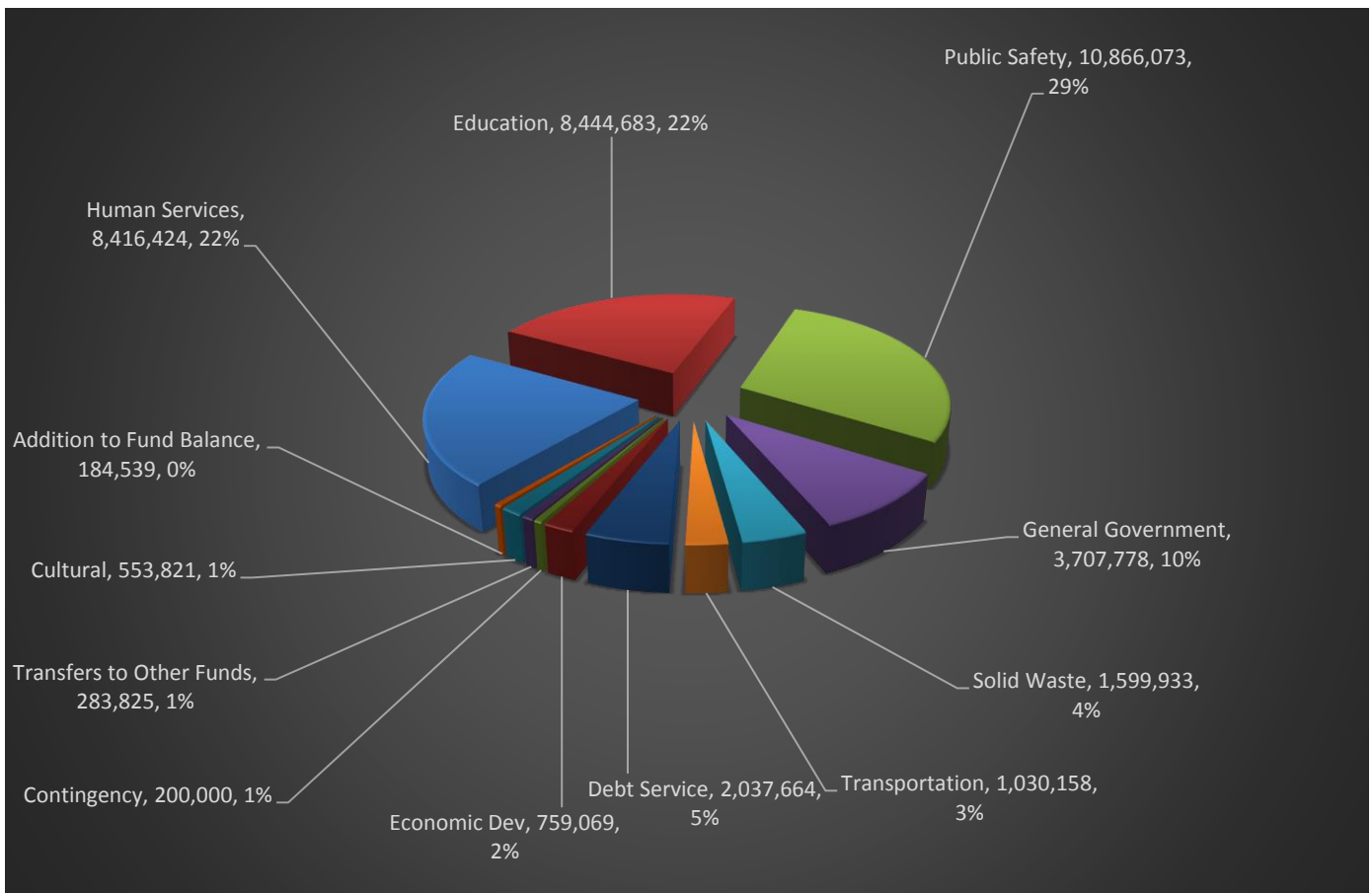
Most other revenue sources that provide funding for operating expenditures have remained flat for the coming fiscal year.

General Fund Expenditures by Category

The General Fund budget totaling \$38,083,967 is comprised of separate expenditure categories as shown below.

**Cherokee County
Expenditures by Function
FY 2018-2019**

	Recommend	% of Total
Human Services	8,416,424	22.1%
Education	8,444,683	22.2%
Public Safety	10,866,073	28.5%
General Government	3,707,778	9.7%
Solid Waste	1,599,933	4.2%
Transportation	1,030,158	2.7%
Debt Service	2,037,664	5.4%
Economic Dev	759,069	2.0%
Contingency	200,000	0.5%
Transfers to Other Funds	283,825	0.7%
Cultural	553,821	1.5%
Addition to General Fund Balance	184,539	0.5%
	38,083,967	100.0%



The following information details some of the more notable changes presented in the FY 2018-2019 recommended budget.

We are recommending \$200,000 appropriated as Contingency to address unexpected expenses based on our most recent three years of experience.

Cherokee County Schools –

Cherokee County Schools is seeking an overall increase of \$7,925,731. This increase primarily reflects increases for capital, additional locally funded personnel, and previous years’ State-approved pay increases for locally funded employees. From the FY2015 approved budget to this FY2019 recommended budget there has been an overall increase in local schools funding of \$1,463,615 representing an approximate increase of \$493 per pupil funding based on FY2018 ADM information. Based on FY2017 statewide data, this amount of funding per pupil would place Cherokee County at 18th of 100 counties. If the School’s full request was funded, the County’s ranking would move to 6th place. Such a trend in increased funding requests is not sustainable without a future millage rate adjustment as neither sales tax nor the property tax base are growing at a rate fast enough to sustain the increases on their own. Since the Article 46 sales tax was implemented and designated by the Board of Commissioners for education funding purposes in FY2017, a single year of receipts, the full amount of expected revenue estimated at \$750,000 is already fully committed to cover local current operating expenses alone. Even with the \$750,000 from Article 46 there still remains an operating deficit of \$1,304,066 remaining from the Schools’ FY2019 request that does not take into account any State-approved pay increases that may occur. Our recommendation is to provide the full amount of projected Article 46 sales tax revenue to support the request from Cherokee County Schools and leave it to their leadership to determine the most appropriate use of those funds.

Tri-County Community College –

The total increase requested for the operating budget of TCCC comes in at \$127,796. Cherokee, Clay and Graham counties met earlier this year to discuss our joint funding responsibilities to TCCC. From that meeting each County was to present their thoughts on funding formula options and be prepared to discuss any additional funding support that Clay and Graham counties may provide to the main campus for FY2019. At this time I have not yet received any information from either County as to what any additional funding amounts may be. Once we understand what Clay and Graham are willing to do in terms of increased financial support we will better understand what any funding shortfall may be for TCCC. Cherokee County currently funds at 80%, or 21.5% above our 58.5% equitable share based on population.

Personnel

Cherokee County continues to operate under a pay plan that has been suspended since FY2010 and one that represents 96.5% on average of the State's 2007 pay plan. Average COLA for our employees since that time through FY2017 has been 1% per year – a rate less than inflation. We continue to lose our more experienced and senior staff within certain high-demand positions to other agencies such as Clay County. One glaring example is the recent loss of 3 paramedics to Clay County who recently increased their paramedic pay to almost \$2 per hour more than Cherokee County. It has been a primary goal to meet the State's pay plan most recently approved for 2017. It is our recommendation to adjust our current pay plan across all grades for minimum, midpoint and maximum by \$1 per hour. This adjustment will result in our plan then reflecting an average of 95% to 96% of the State's 2017 plan. The cost of this adjustment will be \$619,302. This adjustment would not apply to those Detention positions as their portion of the plan was already adjusted by \$1 through Board action in February 2018. Adjusting our plan now will provide for more competitive starting salaries across all of our positions/pay grades and will reduce the likelihood of our experienced staff being recruited by competing agencies. It is an imperative action necessary to avoid costly employee turnover and to attract and retain the trained personnel the County needs to ensure efficient and effective services that our citizens and visitors expect and deserve.

Operations and Capital

911 Communications –

We are in need of upgrading our repeater system for emergency communications in order to provide better coverage, remove inefficiencies and reduce delays. The amount recommended for this initial effort is \$80,000. The system will allow EMS, Law Enforcement and our Volunteer Fire Departments to more effectively communicate across the county. This system will act much like a cell phone in that our several tower sites will communicate with one another and radios will automatically access the strongest signal available. This system will support both analog and digital technologies and therefore be able to support our emergency services as their system evolve over time to a fully digital system.

Solid Waste –

We are in need of replacing and acquiring additional equipment to more efficiently manage our recycling program. Recycling extends the life of one of our most costly assets – the landfill. At a cost of \$75,000, return on investment for the proposed additional horizontal bailer based on an increase in revenues realized from recycled cardboard is expected to be just under 5 years.

Other Funds

Through the annual budget process, the Board of Commissioners also sets the tax rates for special tax districts set up as service districts. These districts include the 15 volunteer fire districts and the Bear Paw Service District. Valleytown and Hanging Dog Volunteer Fire Departments have requested a hearing with the Board to request a possible increase in their current fire tax rates of 5.9 cents and 4.2 cents respectively.

Bear Paw Service District will notify us in June as to their Board’s approval of their FY 2018-2019 service district tax rate.

The table below does not reflect an increase in any of the millage rates for FY 2019. Any increases in fire tax district rates should occur only after conversations between the Board of Commissioners and the respective Volunteer Fire Department.

**Cherokee County
Special Tax Districts
FY 2018-2019**

Fire Districts - Fund # 28	Tax Rates	Estimated
Rural Fire District	2018-19	Revenues
Fire District – Collection Fees	-	7,000
Bellview	0.054	95,000
Brasstown	0.047	15,500
Culberson	0.060	92,000
Grape Creek	0.050	38,500
Hanging Dog	0.042	50,000
Hiwassee Dam	0.051	190,000
Hot House	0.039	70,000
Martins Creek	0.038	82,500
Murphy Rural	0.099	313,000
Peachtree	0.061	179,000
Ranger	0.038	130,000
Tipton Creek	0.042	3,000
Unaka	0.039	35,000
Valleytown	0.059	295,000
Violet	0.051	14,500
Total Fire Districts		1,610,000
Bear Paw Service District - Fund # 29		
Bear Paw Service District	0.380	311,700

Conclusion

Thank you to the Board of Commissioners for their support and guidance over the current year and toward the FY2019 budget development process. I want to express my appreciation to our great County staff for their assistance in the preparation of the FY 2018-2019 recommended budget and for their constant dedication to the citizens and visitors we serve. A very special thank you to our Finance Director for her sound counsel and the many hours spent in gathering, maintaining and analyzing the data we need to perform this task. The recommended budget seeks to conservatively hold the line within the majority of our operational activities. We have included recommendations for necessary growth within certain services where demands for those services have increased in order to provide effective and responsible delivery to the citizens and visitors of Cherokee County.

Under the leadership of the Board, the Fiscal Year 2018-2019 recommended budget sets forth a plan of spending that supports effective service delivery, maintains our strong financial position and reflects sound management of

the County's resources. We are pleased to present to you a recommended budget that will address several needs in the coming fiscal year and will serve to catch up an antiquated pay plan that is now more than 10 years overdue.

This budget message, as well as the complete budget document, may be accessed on the internet at www.cherokeecounty-nc.gov, at the County Manager's office, or any of the public libraries within Cherokee County.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Randy Wiggins". The signature is fluid and cursive, with a prominent flourish at the end.

Randy Wiggins
Cherokee County Manager

Attachment A

Cherokee County
Budget by Department
Fiscal Year 2018-2019

<u>General Fund</u>	<u>FY 2018-2019 Budget</u>
PARKS & RECREATION	315,394
MUSEUM	45,782
LIBRARY	192,645
TOTAL CULTURAL & RECREATION	553,821
LONG TERM DEBT SERVICE	2,037,664
TOTAL DEBT SERVICE	2,037,664
COOPERATIVE EXTENSION	172,949
ECONOMIC DEVELOPMENT	40,750
SOIL & WATER	88,519
SPECIAL APPROPRIATIONS	456,851
TOTAL ECONOMIC DEVELOPMENT	759,069
SCHOOLS	7,641,503
COMMUNITY COLLEGE	803,180
TOTAL EDUCATION	8,444,683
GOVERNING BOARD	259,806
ADMINISTRATION	198,663
INFORMATION TECHNOLOGY	423,945
FINANCE	420,913
TAX ASSESSOR	476,965
LAND RECORDS	164,962
TAX COLLECTOR	262,283
COURT FACILITIES	37,000
BOARD OF ELECTIONS	269,132
REGISTER OF DEEDS	432,393
PUBLIC BUILDINGS/MAINTENANCE	521,916
CENTRAL SERVICE	239,800
TOTAL GOVERNMENTAL	3,707,778

MENTAL HEALTH	75,000
HEALTH DEPARTMENT	2,428,160
SOCIAL SERVICES	5,149,360
VETERANS SERVICES	96,618
SENIOR CENTER	480,700
SPECIAL APPROPRIATIONS	186,586
TOTAL HEALTH & HUMAN SERVICES	8,416,424
CONTRIBUTIONS TO OTHER FUNDS -	283,825
TOTAL TRANSFERS TO OTHER FUNDS	283,825
SHERIFF	2,977,800
JAIL	2,409,416
911 ADDRESSING	71,986
CENTRAL DISPATCH	821,527
EMERGENCY MANAGEMENT	144,321
AMBULANCE SERVICE	3,669,230
ANIMAL CONTROL	86,000
CODE ENFORCEMENT	443,351
MEDICAL EXAMINER	25,000
SPECIAL APPROPRIATIONS	217,442
TOTAL PUBLIC SAFETY	10,866,073
TOTAL SOLID WASTE	1,599,933
TRANSPORTATION	788,482
AIRPORT OPERATIONS	241,676
TOTAL TRANSPORTATION	1,030,158
CONTINGENCY	200,000
ADDITION TO GENERAL FUND BALANCE	184,539
TOTAL GENERAL FUND	38,083,967