



CHEROKEE COUNTY

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Alan Bryant, Member
Mark Stiles, Member

May 6, 2025

CHEROKEE COUNTY BUDGET MESSAGE Fiscal Year 2025-2026

In accordance with North Carolina General Statute §159-11, the Cherokee County Fiscal Year (FY) 2025-2026 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 \$63,391,343.

Introduction

Cherokee County's FY 2025-2026 recommended budget is designed to function as a plan in guiding departmental operations and funding partner agencies to accomplish the goals and objectives communicated by the Board of Commissioners.

This recommended budget is presented with the following more notable highlights:

- **No increase to the property tax millage rate of 61 cents**
- **No increase in fees**
- \$260,000 increase in contractual IVC (Involuntary Commitment) Transportation costs for a total of \$500,000 – a 108% increase
- \$153,176 increase in contractual Jail Medical expense for a total of \$378,800 – a 69% increase
- \$270,621 for a digital file scanning project for DSS reimbursed by State funds at 60% for a net cost of \$108,248
- \$585,340 increase in County contribution to medical insurance premiums for County employees
- \$400,000 appropriated as Contingency to address unexpected needs or opportunities
- An increase in the Local Governmental Employees' Retirement System (LGERS) contribution rate of 13.67% to 14.43% for general employees and \$15.04% to 16.08% for law enforcement officers. This resulted in an increase in retirement expense of approximately \$149,472.
- \$125,000 reduction in septic permitting revenues
- Major capital equipment replacements

- 69.1% (over two-thirds) of the general fund expenditures are allocated to the following functions:
 - Public Safety – 30.0%
 - Human Services – 25.9%
 - Education – 13.2%

We continue to monitor legislative changes coming out of both the Federal Government and our State Legislature that could impact our local budgeted revenues and expenditures and will communicate such information to the Board to address any necessary changes prior to their adoption of the FY2026 Budget Ordinance. We also continue to review current and future forecasted economic indicators that could have significant impacts to the FY2026 budget.

An expenditure schedule by function and department for the FY 2025-2026 recommended budget is provided at the end of this message as Attachment A.

Total County Funds

The FY 2025-2026 recommended budget for all Cherokee County Funds has an annual budget totaling \$63,391,343. The County has established an annual budget for seven separate funds. These funds can be further paired into the following fund groupings:

Cherokee County Budget by Fund Fiscal Year 2025-2026

General Fund	<u>\$59,844,847</u>	94.4%
Special Revenue Funds:		
Revaluation Reserve Fund	204,312	0.3%
911 Fund	186,684	0.3%
Deed Trust Fund	8,000	0.0%
Fines and Forfeitures Fund	120,000	0.2%
Representative Payee Fund	290,000	0.5%
Fire Districts	2,392,500	3.8%
Bear Paw Service District	<u>345,000</u>	0.5%
Total Special Revenue Funds	\$ 3,546,496	5.6%
 County Total	 <u><u>\$63,391,343</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 seven Special Revenue Funds: Revaluation Reserve Fund, 911 Fund, Fire Districts Fund, Bear Paw Service District Fund, Deed Trust Fund, Fines and Forfeitures Fund and the Representative Payee 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.

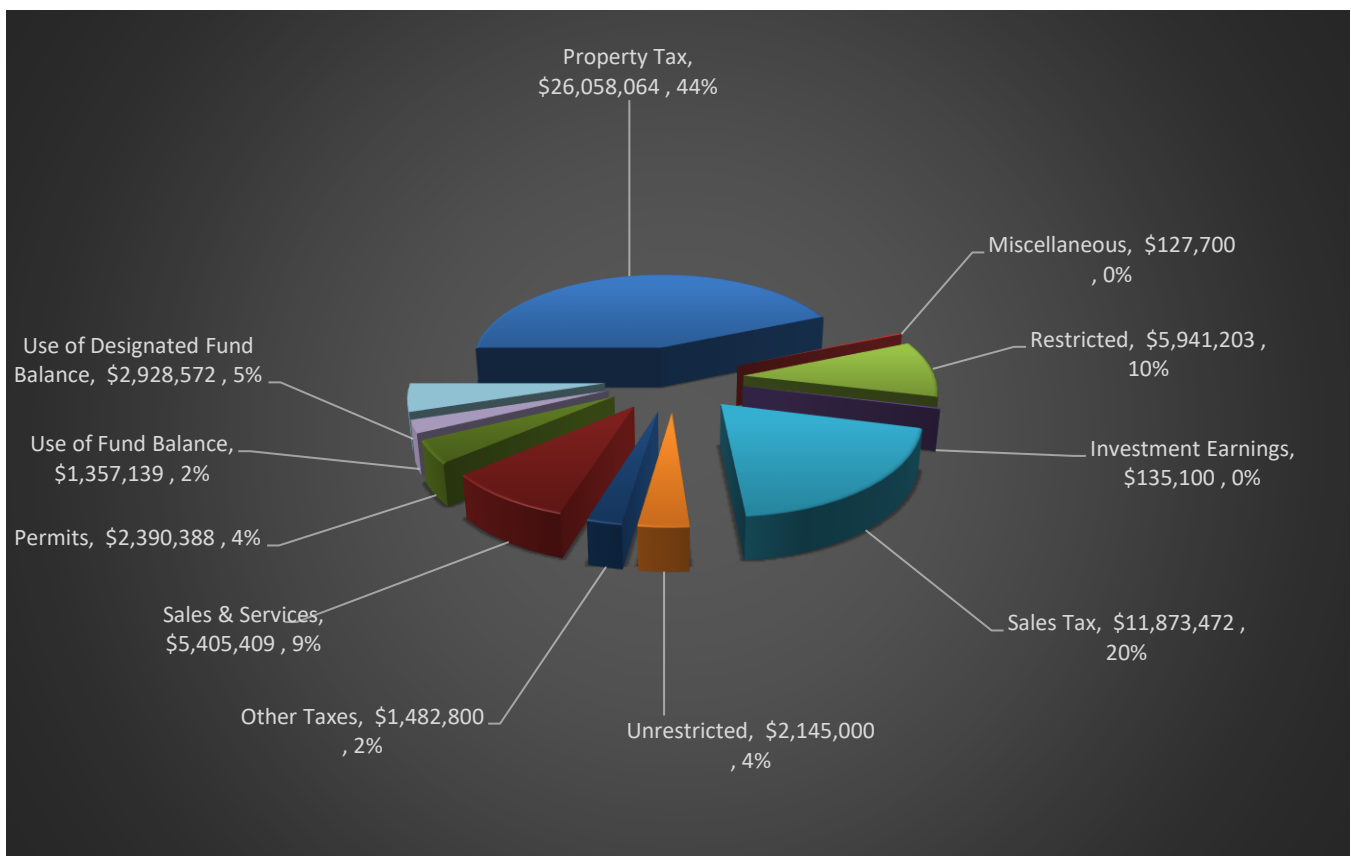
Enterprise Funds- Enterprise Funds are used to report any activity for which a fee is charged to external users for goods or services. Cherokee County does not currently have an active enterprise fund.

General Fund Revenues by Category

The General Fund with estimated revenues totaling \$59,844,847 derives its revenues from a variety of sources as shown below:

Cherokee County Sources of County Revenue FY 2025-2026

	Recommended	% of Total
Property Tax	26,058,064	43.6%
Miscellaneous	127,700	0.2%
Restricted	5,941,203	9.9%
Investment Earnings	135,100	0.2%
Sales Tax	11,873,472	19.8%
Unrestricted	2,145,000	3.6%
Other Taxes	1,482,800	2.5%
Sales & Services	5,405,409	9.0%
Permits	2,390,388	4.0%
Use of Fund Balance	1,357,139	2.3%
Use of Designated Fund Balance	2,928,572	4.9%
	\$59,844,847	100.0%



The County's largest revenue source is derived from ad valorem property taxes. For FY 2025-2026 The ad valorem property tax rate of 61 cents **per \$100 of valuation** provides \$26,058,064, or 43.6%, of the total General Fund Budget, which includes current and prior years collections for both real and personal property, interest and penalties. Cherokee County is experiencing increased service demand across all County operations.

Our Tax Collection staff continues to work diligently toward improvements in our collection methods. As the property tax remains the only substantial revenue source controlled locally, it is imperative to maintain a high collection rate to provide an equitable distribution of taxes. The FY24 actual property tax collection rate of 98.19% and auto tax collection rate of 99.88% was used in our FY26 projection.

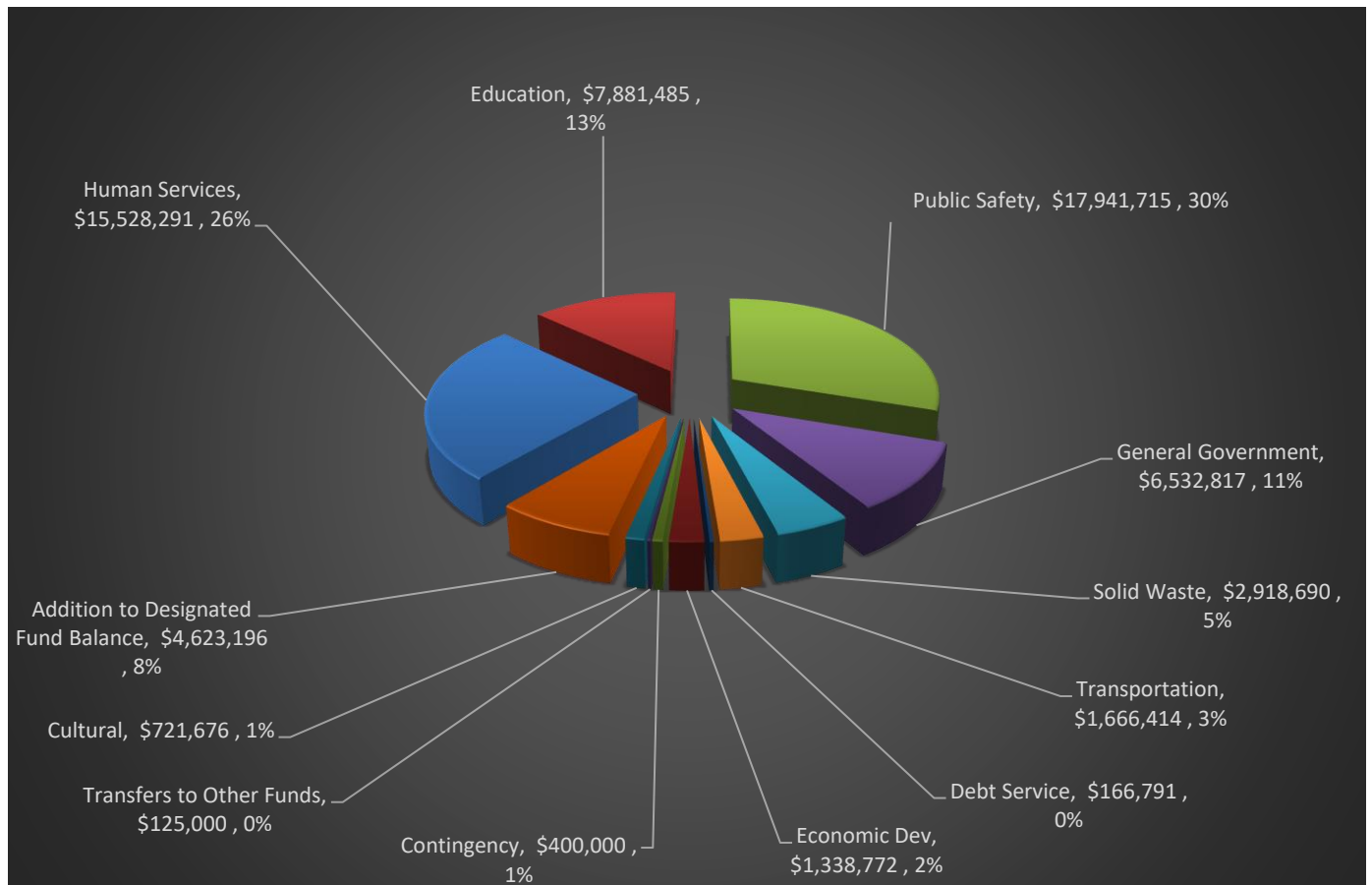
Sales tax revenues account for our second largest, unrestricted, revenue source. For FY26 we are expecting sales tax growth to remain flat. The trend across the State and in Cherokee County reflects sales tax growth is slowing and flattening. The North Carolina League of Municipalities is projecting a FY26 growth of only 2.8% in sales tax revenues. We continue to be concerned with when, and to what degree, Cherokee County may begin to see a downturn in sales tax proceeds. We are therefore conservatively budgeting our sales tax proceeds to remain flat and thereby generating estimated sales tax proceeds of \$11,873,472 or 19.8% of the total General Fund Budget.

General Fund Expenditures by Category

The General Fund budget totaling \$59,844,847 is comprised of separate expenditure categories as shown below:

Cherokee County Expenditures by Function FY 2025-2026

	Recommended	% of Total
Human Services	15,528,291	25.9%
Education	7,881,485	13.2%
Public Safety	17,941,715	30.0%
General Government	6,532,817	10.9%
Solid Waste	2,918,690	4.9%
Transportation	1,666,414	2.8%
Debt Service	166,791	0.3%
Economic Dev	1,338,772	2.2%
Contingency	400,000	0.7%
Transfers to Other Funds	125,000	0.2%
Cultural	721,676	1.2%
Addition to Designated Fund Balance	4,623,196	7.7%
	59,844,847	100%



The following information details some of the more notable changes presented in the FY 2025-2026 recommended budget:

We are recommending \$400,000 appropriated as Contingency to address unexpected expenses. This amount of contingency appropriation is low based on the fact that contingency has historically been fully utilized well before the end of the fiscal year.

Operations and Capital

Personnel –

For FY26, we are recommending the addition of one full-time position in the Revaluation Fund. This position is a full-time Real Property Appraiser to assist with the upcoming revaluation project.

Cherokee County has only raised our contribution for employee health insurance premiums by \$150 over the previous 15 years – an average of \$10 per year. Due to large claims, higher frequencies of large claims and increased costs in medical coverage over the last several years, we are faced with the need to make a substantial contribution to our self-funded plan. This increase is still well below the percentage increases we would have experienced over that same period of time had we been fully insured in the private market.

The increase in health insurance premiums coupled with the mandated increase in our contributions to the Local Government Employees' Retirement System result in the equivalent of just under a 3.5% COLA.

Operational –

For FY26 we are recommending to move forward with the digital file scanning project for DSS. This project will result in greater integrity and preservation of the closed case files and will additionally free up space within the existing file room to allow for conversion of that space into the Board/Training room while converting the existing board/training space into much-needed office space.

Major Capital Items

- \$386,667 for six new Sheriff vehicles (5 patrol, 1 Investigation) and associated upfitting
- \$590,000 for one ambulance remount and one fully new unit to maintain our replacement schedule
- \$199,613 for four Stryker LP35 Cardiac Monitors
- \$144,500 for Phase 1 of the Hot House Road repairs and maintenance
- \$192,413 to replace our old CAT 315 with a new VOLVO 210 FL5 Track Hoe
- \$160,000 to replace our OTR dump truck with a used 2015 or newer model

Use of Fund Balance for Specific Capital Items-

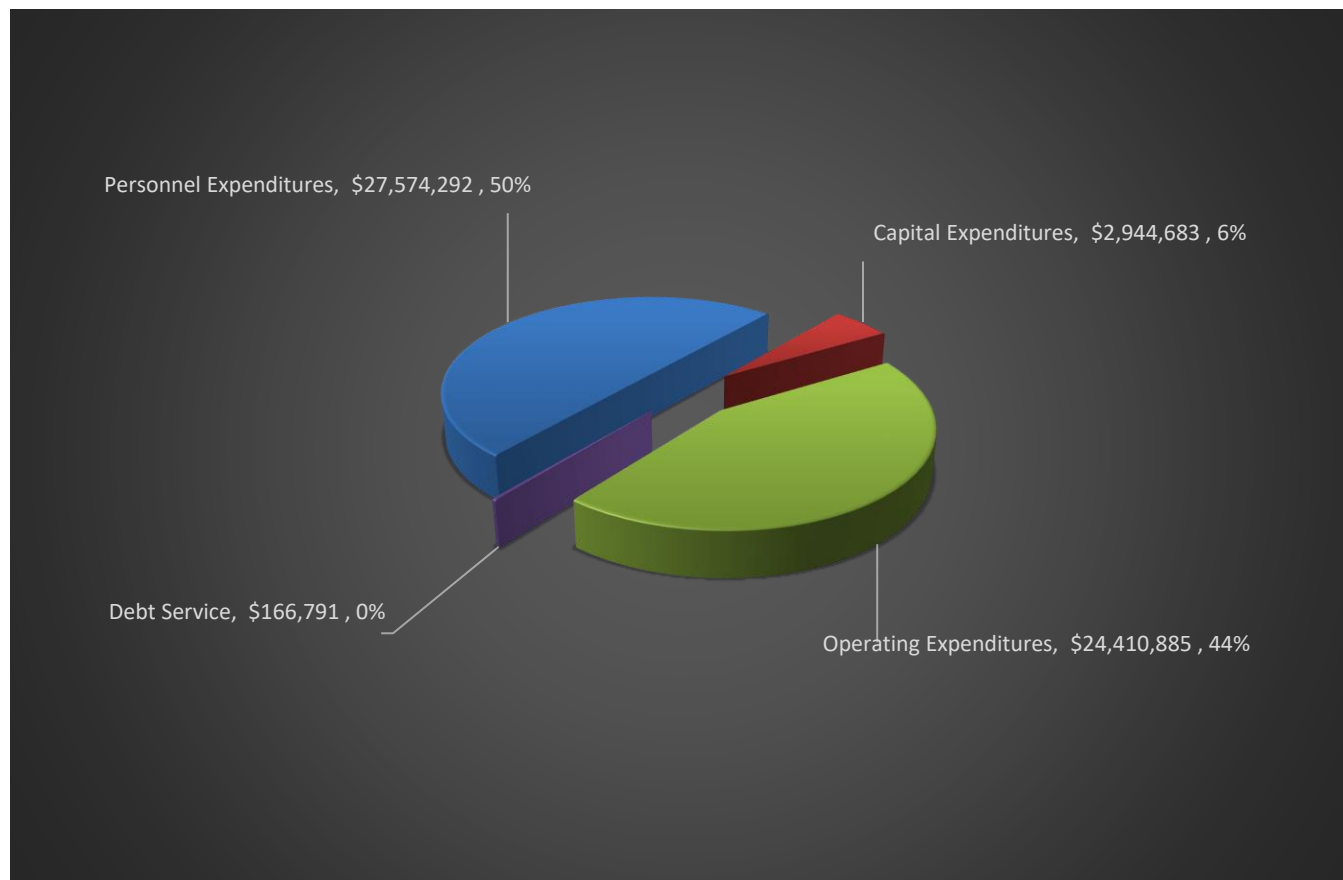
An amount of \$1,357,139 has been appropriated from Unassigned Fund Balance for inclusion in this recommended budget. This amount is utilized for the following 6 large capital items that are not replaced as part of regular operations:

- \$144,500 for Phase 1 of the Hot House Road communications tower site repairs and maintenance
- \$590,000 for one ambulance remount and one fully new unit to maintain our replacement schedule
- \$199,613 for four Stryker LP35 Cardiac Monitors
- \$192,413 to replace our old CAT 315 with a new VOLVO 210 FL5 Track Hoe

- \$160,000 to replace our OTR dump truck with a used 2015 or newer model
- \$70,613 to upgrade the Martins Creek Convenience Site

General Fund Expenditures by Type

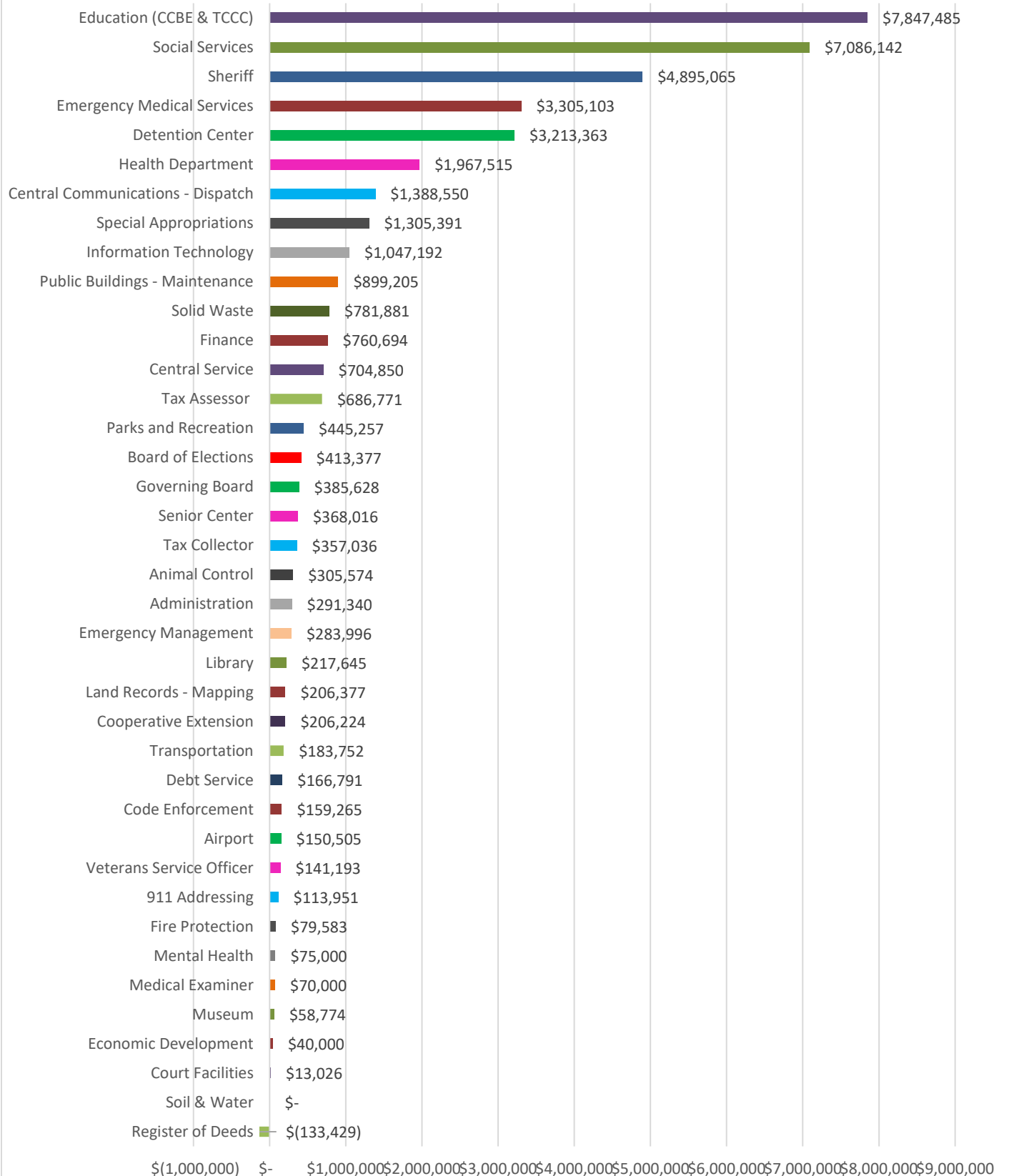
The majority of the County's General Fund expenditures are for personnel expenditures at 50.0%. Below is a breakdown of General Fund expenditures by type excluding increases to Fund Balance and Transfers to Other Funds.



Net Departmental Budgeted Cost

Some departments generate revenues from the functions or services they provide. If those departmental revenues were applied against their expected departmental expenditures, the net amount is the departmental cost to the taxpayers. This net departmental cost would be covered by the remaining unrestricted general county revenues (i.e. property taxes, sales taxes, etc...). The recommended budget net departmental cost for each county department is reflected in the chart below.

Net Departmental Budgeted Cost (Expenditures less any Revenues specific to that Department)



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 served by 13 Volunteer Fire Departments and the Bear Paw Service District.

Bear Paw Service District will notify us in June as to their Board's approval of their FY 2025-2026 service district tax rate.

The table below does not reflect an increase in any of the millage rates for FY2026. Any increases in fire tax district rates should occur only after conversations between the Board of Commissioners and the respective Volunteer Fire Department after community meetings are held to educate and inform taxpayers on the justifications and to gauge community support.

Cherokee County Special Tax Districts FY 2025-2026

Fire Districts - Fund # 28	Tax Rates	Estimated
Rural Fire District	2025-26	Revenues
Fire District – Collection Fees	-	9,000
Bellview	0.049	110,500
Brasstown	0.041	17,000
Culberson	0.054	108,500
Grape Creek	0.060	49,000
Hanging Dog	0.059	86,000
Hiwassee Dam	0.064	297,500
Hot House	0.090	210,000
Martins Creek	0.034	100,000
Murphy Rural	0.099	401,000
Peachtree	0.090	342,000
Ranger	0.047	230,500
Tipton Creek	0.041	3,000
Unaka	0.038	41,000
Valleystown	0.054	364,000
Violet	0.064	23,500
Total Fire Districts		<u>2,392,500</u>
 Bear Paw Service District - Fund # 29		
Bear Paw Service District	0.380	<u>345,000</u>

Conclusion

Thank you to the Board of Commissioners for their support and guidance over the current year and toward the FY2026 budget development process. I want to express my appreciation to our outstanding County staff for their assistance in the preparation of the FY 2025-2026 recommended budget and for their constant dedication to the citizens and visitors we serve. As always, a very special note of appreciation to our Chief Financial Officer for her sound counsel and the many hours spent gathering, maintaining and analyzing the data necessary to perform this task responsibly and effectively.

The Fiscal Year 2025-2026 recommended budget sets forth a plan of spending that supports effective service delivery, maintains a strong financial position and reflects sound management of the County's resources. We are pleased to present to you a recommended budget that will responsibly address our operational and capital needs in the coming fiscal year while protecting the fiscal health of Cherokee County for the future.

This budget message may be accessed on the internet at www.cherokeeconomy-nc.gov, or at the office of the Clerk to the Cherokee County Board of Commissioners.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Randy Wiggins", with a stylized flourish at the end.

Randy Wiggins
Cherokee County Manager

Attachment A

**Cherokee County
Budget by Department
Fiscal Year 2025-2026**

<u>General Fund</u>	<u>FY 2025-2026 Budget</u>
PARKS & RECREATION	445,257
MUSEUM	58,774
LIBRARY	217,645
TOTAL CULTURAL & RECREATION	721,676
LONG TERM DEBT SERVICE	166,791
TOTAL DEBT SERVICE	166,791
COOPERATIVE EXTENSION	219,424
ECONOMIC DEVELOPMENT	40,750
SOIL & WATER	139,299
SPECIAL APPROPRIATIONS	939,299
TOTAL ECONOMIC DEVELOPMENT	1,338,772
SCHOOLS	6,900,916
COMMUNITY COLLEGE	980,569
TOTAL EDUCATION	7,881,485
GOVERNING BOARD	385,628
ADMINISTRATION	291,340
INFORMATION TECHNOLOGY	1,047,192
FINANCE	760,694
TAX ASSESSOR	686,771
LAND RECORDS	206,527
TAX COLLECTOR	357,036
COURT FACILITIES	45,026
BOARD OF ELECTIONS	456,977
REGISTER OF DEEDS	691,571
PUBLIC BUILDINGS/MAINTENANCE	899,205
CENTRAL SERVICE	704,850
TOTAL GOVERNMENTAL	6,532,817

MENTAL HEALTH	75,000
HEALTH DEPARTMENT	3,370,718
SOCIAL SERVICES	11,104,024
VETERANS SERVICES	143,193
SENIOR CENTER	625,604
SPECIAL APPROPRIATIONS	209,752
TOTAL HEALTH & HUMAN SERVICES	15,528,291
CONTRIBUTIONS TO OTHER FUNDS -	125,000
TOTAL TRANSFERS TO OTHER FUNDS	125,000
SHERIFF	5,076,865
DETENTION CENTER	4,238,363
911 ADDRESSING	113,951
CENTRAL DISPATCH	1,388,550
EMERGENCY MANAGEMENT	304,621
EMERGENCY MEDICAL SERVICE	5,705,103
FIRE PROTECTION	89,583
ANIMAL CONTROL	305,574
CODE ENFORCEMENT	492,765
MEDICAL EXAMINER	70,000
SPECIAL APPROPRIATIONS	156,340
TOTAL PUBLIC SAFETY	17,941,715
TOTAL SOLID WASTE	2,918,690
TRANSPORTATION	1,078,209
AIRPORT OPERATIONS	588,205
TOTAL TRANSPORTATION	1,666,414
CONTINGENCY	400,000
ADDITION TO RESTRICTED/DESIGNATED FUND BALANCE	4,623,196
TOTAL GENERAL FUND	59,844,847