



CHEROKEE COUNTY

75 Peachtree Street
Murphy, NC 28906
828-837-5527

Randy Wiggins, County Manager
Candy R. Anderson, Finance Officer
R. Scott Lindsay, County Attorney

Board of Commissioners
Dan Eichenbaum, Chairman
Gary Westmoreland, Vice-Chairman
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CB McKinnon, Member
Cal Stiles, Member

May 1, 2017

CHEROKEE COUNTY BUDGET MESSAGE Fiscal Year 2017-2018

In accordance with North Carolina General Statute §159-11, the Cherokee County Fiscal Year (FY) 2017-2018 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 \$40,889,840.

Introduction

Cherokee County's FY 2017-2018 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**
- **No noteworthy changes expected across departmental programs and services**
- **Provides for capital replacement of vehicles and equipment across various departments**
- **Provides for office space expansion for Veterans Affairs**
- **Includes a 3% COLA and Salary Plan Adjustment**
- **Includes \$98,459 less in General Fund Operating Expenditures than the FY2017 Adopted Budget**

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 2018 Budget Ordinance.

An expenditure schedule by function and department for the FY 2017-2018 recommended budget is provided as Attachment A.

Total County Funds

The FY 2017-2018 recommended budget for all Cherokee County Funds has an annual budget totaling \$40,889,840. 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 2017-2018**

General Fund	37,829,136	92.5%
Special Revenue Funds:		
Revaluation Reserve Fund	153,595	0.4%
911 Fund	350,355	0.9%
Fire Districts	1,573,000	3.8%
Bear Paw Service District	310,600	0.8%
Debt Service Fund	329,825	0.8%
Total Special Revenue Funds	2,717,375	6.7%
Enterprise Fund-	343,329	0.8%
County Total	40,889,840	100%

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.

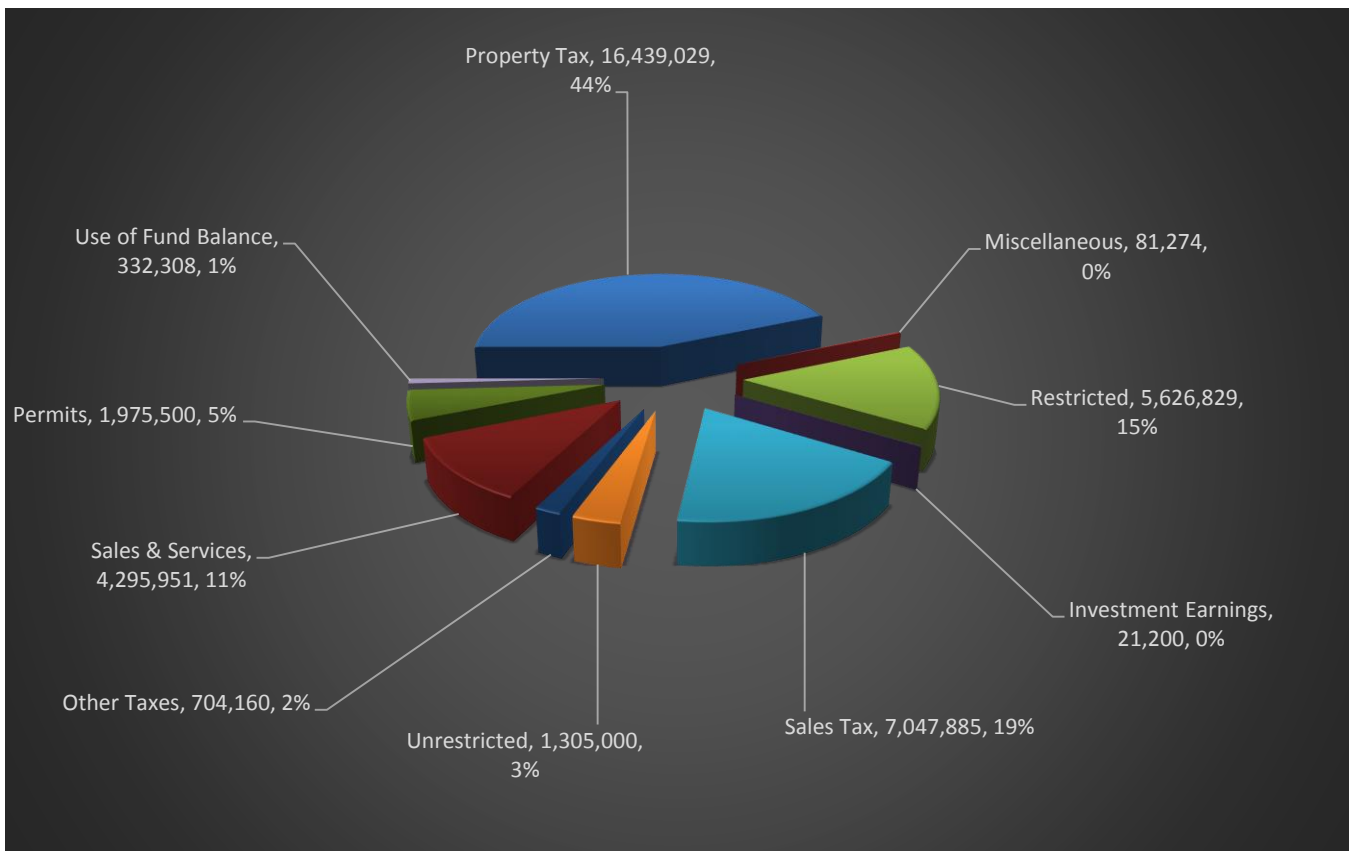
Enterprise Fund- Enterprise Funds are used to report any activity for which a fee is charged to external users for goods or services. The Hiwassee Valley Pool and Wellness Center is accounted for in our single enterprise fund.

General Fund Revenues by Category

The General Fund with estimated revenues totaling \$37,829,136 derives its revenues from a variety of sources as shown below:

**Cherokee County
Sources of County Revenue
FY 2017-2018**

	Recommended	% of Total
Property Tax	16,439,029	43.5%
Miscellaneous	81,274	0.2%
Restricted	5,626,829	14.9%
Investment Earnings	21,200	0.1%
Sales Tax	7,047,885	18.6%
Unrestricted	1,305,000	3.4%
Other Taxes	704,160	1.8%
Sales & Services	4,295,951	11.4%
Permits	1,975,500	5.2%
Use of Fund Balance	332,308	0.9%
	37,829,136	100.0%



The County’s largest revenue source is derived from ad valorem property taxes. For FY 2017-2018 it is recommended that Cherokee County **remain at the rate of 52 cents per \$100 of valuation** providing \$16,439,029, or 43.5%, 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 97.14% for FY2018. 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 increased to 99.94%

Sales tax revenues account for our second largest, unrestricted, revenue source. After realizing an expected increase of 7% across FY16 and FY17, we again expect this increase to remain steady and are not projecting a change but expect sales tax collections to remain relatively flat with the exception of the addition of sales tax proceeds from the voter-approved Article 46 designated by the Board for education purposes. Article 46 is expected to come in at \$650,000.

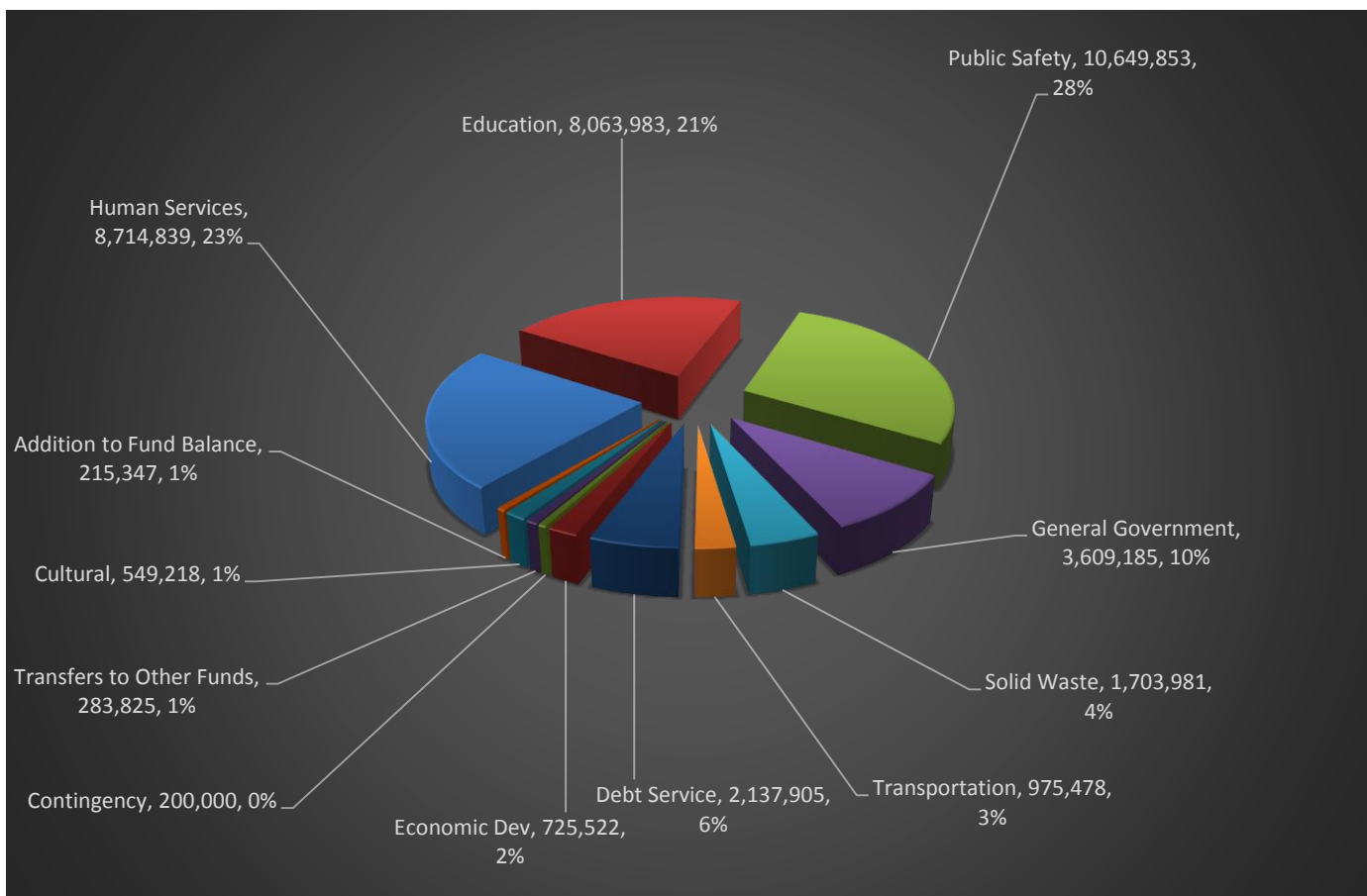
Most other revenue sources that provide funding for operating expenditures have remained flat for the coming fiscal year.

General Fund Expenditures by Category

The General Fund budget totaling \$37,829,136 is comprised of separate expenditure categories as shown below.

**Cherokee County
Expenditures by Function
FY 2017-2018**

	Recommend	% of Total
Human Services	8,714,839	23.0%
Education	8,063,983	21.3%
Public Safety	10,649,853	28.2%
General Government	3,609,185	9.5%
Solid Waste	1,703,981	4.5%
Transportation	975,478	2.6%
Debt Service	2,137,905	5.6%
Economic Dev	725,522	1.9%
Contingency	200,000	0.5%
Transfers to Other Funds	283,825	0.8%
Cultural	549,218	1.5%
	37,829,136	100.0%



The following information details some of the more notable changes presented in the FY 2017-2018 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 \$756,761 and plans to cover this increase through use of the Board-designated Article 46 sales tax proceeds. This increase primarily reflects a 5% State-approved pay increase for locally funded employees, the addition of positions, and other adjustments to pay in addition to two vehicles to serve Maintenance and Social Worker. We have not budgeted for any State-approved pay increase as it is not yet known what the ultimate determination from the State will be. Any State-approved pay increase amount will be addressed through future budget revision with use of the Board-designated Article 46 sales tax proceeds.

Tri-County Community College –

The total increase requested for the operating budget of TCCC comes in at \$74,973. It continues to be our recommendation that TCCC reach out to our partner counties of Clay and Graham to fund this increase. 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. Average COLA for our employees since that time through FY2017 has been 1% per year. It is our recommendation to fund a 3% COLA for FY2018 bringing our average COLA percentage to 1.2% per year. This average is still less than the average rate of inflation for the same period of time. It is additionally recommended that we apply a 3% increase adjustment to our pay plan. This would result in bringing our plan to 99% of the State's 2007 Pay Plan – a plan that is 10 years old – and to approximately 92% on average of the State's most recent 2014 Pay Plan. Adjusting our plan will provide for more competitive starting salaries across all of our positions/pay grades and is a small first step in attempting to bring our plan to market in order to attract and retain the talent we need to provide the outstanding services our citizens and visitors expect and deserve.

Operations and Capital

EMS –

We are working toward construction plans of a new Station 4 to be funded by undesignated fund balance in order to finalize our plan for Medic 5 to move to a full-time unit. Latest numbers reflect more than a 400 call increase in EMS call volume over the same period last year further supporting the decision in FY2017 to move Medic 5 to a 24/7 unit.

We are additionally recommending capital funding to replace a generator supporting Station 3, furniture and flooring needs across all stations, and two new ambulances to implement an EMS fleet replacement plan over the next ten years.

Solid Waste –

The landfill is in need of replacing the 1997 Caterpillar Dozer with over 12,000 hours. Previous repairs to this equipment have been excessive. Current expected repairs include engine, undercarriage, and radiator. These repairs have been quoted in excess of \$60,000. The requested Komatsu replacement is \$268,401 which includes a 36 month/3000 hour warranty.

Facilities –

Work to repair the courthouse lantern and dome will continue into FY2018. We are currently awaiting approval to move forward with the dome evaluation. Construction scope and bid documents will be developed, requests for quotes will be sent out and bids will be awarded. Funding for this project will come through use of fund balance via future budget revision.

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.

Valleystown Volunteer Fire Department has requested a hearing with the Board to request an increase in their current rate of 5.9 cents to 8.1 cents per \$100 of valuation – an increase of 2.2 cents to their fire tax millage rate

Bear Paw Service District will notify us in June as to their Board's approval of their FY 2017-2018 service district tax rate.

The table below does not reflect an increase in any of the millage rates for FY18. 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 2017-2018**

Fire Districts - Fund # 28	Tax Rates	Estimated
Rural Fire District	2017-18	Revenues
Fire District – Collection Fees	-	7,000
Bellview	0.054	95,000
Brasstown	0.047	15,000
Culberson	0.060	89,500
Grape Creek	0.050	29,500
Hanging Dog	0.042	50,000
Hiwassee Dam	0.051	187,500
Hot House	0.039	67,000
Martins Creek	0.038	82,000
Murphy Rural	0.099	300,000
Peachtree	0.061	176,000
Ranger	0.038	128,000
Tipton Creek	0.042	3,000
Unaka	0.039	34,500
Valleytown	0.059	295,000
Violet	0.051	14,000
Total Fire Districts		1,573,000
Bear Paw Service District - Fund # 29		
Bear Paw Service District	0.380	310,600

Conclusion

Thank you to the Board of Commissioners for their support and guidance in the current year and toward the FY 2018 budget. I want to express my appreciation to our great County staff for their assistance in the preparation of the FY 2017-2018 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 in gathering data and analyzing information. 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 2017-2018 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.

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 loop at the end.

Randy Wiggins
Cherokee County Manager

Attachment A

**Cherokee County
Budget by Department
Fiscal Year 2017-2018**

<u>General Fund</u>	<u>FY 2017-2018 Budget</u>
PARKS & RECREATION	313,463
MUSEUM	43,110
LIBRARY	192,645
TOTAL CULTURAL & RECREATION	549,218
LONG TERM DEBT SERVICE	2,137,905
TOTAL DEBT SERVICE	2,137,905
COOPERATIVE EXTENSION	169,230
ECONOMIC DEVELOPMENT	46,000
SOIL & WATER	88,441
SPECIAL APPROPRIATIONS	421,851
TOTAL ECONOMIC DEVELOPMENT	725,522
SCHOOLS	6,964,199
COMMUNITY COLLEGE	803,180
ADDITION TO DESIGNATED FUND BALANCE	296,604
TOTAL EDUCATION	8,063,983
GOVERNING BOARD	352,765
ADMINISTRATION	193,536
INFORMATION TECHNOLOGY	354,758
FINANCE	411,824
TAX ASSESSOR	463,160
LAND RECORDS	156,628
TAX COLLECTOR	247,277
COURT FACILITIES	38,850

BOARD OF ELECTIONS	285,260
REGISTER OF DEEDS	394,791
PUBLIC BUILDINGS/MAINTENANCE	469,667
CENTRAL SERVICE	240,669
TOTAL GOVERNMENTAL	3,609,185
MENTAL HEALTH	75,000
HEALTH DEPARTMENT	2,456,332
SOCIAL SERVICES	5,508,720
VETERANS SERVICES	54,293
SENIOR CENTER	429,708
SPECIAL APPROPRIATIONS	190,786
TOTAL HEALTH & HUMAN SERVICES	8,714,839
CONTRIBUTIONS TO OTHER FUNDS -	283,825
TOTAL TRANSFERS TO OTHER FUNDS	283,825
SHERIFF	2,871,978
JAIL	2,511,472
911 ADDRESSING	70,933
CENTRAL DISPATCH	705,147
EMERGENCY MANAGEMENT	146,436
AMBULANCE SERVICE	3,686,399
ANIMAL CONTROL	86,000
CODE ENFORCEMENT	412,085
MEDICAL EXAMINER	20,000
SPECIAL APPROPRIATIONS	139,403
TOTAL PUBLIC SAFETY	10,649,853
TOTAL SOLID WASTE	1,703,981
TRANSPORTATION	725,128
AIRPORT OPERATIONS	250,350
TOTAL TRANSPORTATION	975,478
CONTINGENCY	200,000
ADDITION TO GENERAL FUND BALANCE	215,347
TOTAL GENERAL FUND	37,829,136