



# Madison County Administration

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**To:** Board of Commissioners  
**From:** Forrest Gilliam, County Manager  
**Date:** June 11, 2019  
**Re:** FY 2019-2020 Proposed Budget

The proposed General Fund budget for Fiscal Year 2019-2020 of \$25,918,973 provides adequate funding for the ongoing operations of County government, addresses a legislative mandate to decrease K-3 class size, and funds critical deferred renovation projects and equipment purchases, while maintaining the current health insurance plan for employees, bringing all employees to a minimum pay rate of \$10.00 per hour. The budget includes increased revenue from the approved plan to house juvenile inmates at the Madison County Jail, and increases the property tax rate by three cents in order to fund the County's operations.

### General Fund Revenues (Budgeted)

	FY 2016-2017	FY 2017-2018	FY 2018-2019	FY 2019-2020
Real Property Taxes (Current Year)	\$9,673,672	\$9,945,177	\$10,110,751	\$10,633,531
Current Year Vehicle Taxes	\$894,000	\$850,000	\$900,000	\$950,000
Real Property Taxes (Prior Years)	\$715,000	\$660,000	\$558,000	\$453,000
Interest and Late Listing Fees on Taxes	\$242,472	\$314,000	\$210,000	\$175,000
Other Tax Fees	\$2,300	\$1,200	\$1,300	\$900
Franchise Taxes	\$16,228	\$16,228	\$16,000	\$16,000
Local Option Sales Tax	\$3,122,336	\$3,499,800	\$3,706,183	\$3,898,710
Intergovernmental Revenues	\$6,367,812	\$7,359,051	\$6,010,554	\$7,737,642
Fees	\$940,716	\$967,002	\$1,014,117	\$1,528,700
Other Revenues	\$593,937	\$602,501	\$752,209	\$167,985
Interest on Banking Accounts	\$9,600	\$14,000	\$55,000	\$85,000
Transfer From Fund Balance	\$167,872	\$50,000	\$796,644	\$272,505
	<b>\$22,745,945</b>	<b>\$24,278,959</b>	<b>\$24,130,758</b>	<b>\$25,918,973</b>

## Revenue Highlights

### Property Taxes

The budget increases the property tax rate from \$.52 to \$.55 per \$100 in valuation. Based on a 95% property tax collection rate, current year property tax revenues are expected to be \$10,633,531. This represents a \$523,000 increase over budgeted current year property tax revenues for FY 2018-2019.

The projected revenue from property taxes owed from prior years is reduced by \$105,000 to \$453,000. Over-projection of this revenue source in FY 2013-2014 and FY 2014-2015 led to an over-reliance on one-time revenues to cover recurring expenses and contributed to a year-end budget shortfall in FY 2014-2015. The amount budgeted for next year continues a steady decline in the budgeted revenues from this source due to the successful collection of various accounts over the past several years that will no longer be delinquent and eligible for collection. The county will continue efforts to pursue delinquent taxes from prior years, including initiating foreclosure proceedings when other options have been exhausted, but should not over-commit one-time revenues from prior years' taxes to recurring expenditures.

Also due to successful collection of past due accounts, the revenue budgeted from Property Tax Interest is reduced by \$35,000, to total \$175,000. As accounts that were several years past due with significant accrued interest have been collected, this revenue projection is being reduced.

The projection for revenue from the vehicle tax is increased by \$50,000, to total \$950,000 for FY 2019-2020. The increase is a result of revenues generated from the three cent increase in the property tax rate. The vehicle tax collection rate continues to exceed 99%, as it has since the state implemented the Tag and Tax Together program which blocks vehicle registrations if taxes are not paid.

### Sales Tax

Sales tax revenues are projected to increase by a total of 5.2% (\$192,527), to total \$3,898,710. This increase is based on continued economic growth that is expected statewide.

### Intergovernmental Revenues

Intergovernmental Revenues, which consist of payments from the State or Federal government to cover or offset the cost of services provided at the County level, are increased by \$1,727,000 (29%). This category also includes grant funds if those grants come from another government source. Major increases in Intergovernmental Revenues include:

- \$789,000 in Sheriff's Office revenues, which represents the increased amount of revenue realized from housing 15 juvenile inmates for the State as opposed to the revenue budgeted for the current year for housing 16 Federal Inmates.
  - The County has seen a decline in the number of Federal inmates that are consistently available and in need of housing in our jail.
  - The County has recently entered into an agreement with the North Carolina Department of Public Safety to house 15 to 19 juvenile inmates. The agreement guarantees payment for 15 inmates at a rate of \$244 per day, with the potential for housing an additional four inmates at the same rate, as needed by the State.

- The total revenue from the 15 juvenile inmates totals \$1,335,900. The proposed budget is based on ten months of the program being fully operational, for total revenue of \$1,116,300. Associated expenses, including the employment of four additional detention officers and two teaching positions to provide education programming for the offenders, total \$365,000.
- \$545,000 in Federal and State funds for the purchase of new passenger vans for the Madison County Transportation Authority. The funds will also cover the purchase of equipment for vans as well as parking lot upgrades. There is a corresponding increase in expenses to cover the purchase of the vans and equipment, along with the County's 10% match.
- \$243,000 in revenues for Social Services administration and programs. This includes a slight decline in funds for Foster Care reimbursement as a result of the County's costs decreasing as well, along with an increased reimbursement as a result of the County's increased administrative expense at DSS. DSS revenues declined by \$126,000 between FY 2017-2018 and FY 2018-2019 as a result of overall expense decreases.
- \$93,000 in grant funding for the Health Department's Madison Community Bridge Initiative to provide treatment for opiate addiction.

Revenue from Fund Balance

The budget appropriates \$272,505 from Fund Balance to carry forward funds for restricted purposes, including carry forward of Medicaid Cost Settlement funds for the Health Department (\$200,000) and carry forward for various grants for which the county received funds in previous years but the money has not been spent (\$72,505). In all of these cases, the use of fund balance is to cover expenses projected for FY 2019-2020 for which restricted revenues were received in previous years. The budget appropriates no money from the amount of fund balance that is unrestricted and available for appropriation.

**General Fund Expenditures (Budgeted)**

	<b>FY 2016-2017</b>	<b>FY 2017-2018</b>	<b>FY 2018-2019</b>	<b>FY 2019-2020</b>
<b>General Government</b>	\$2,343,337	\$2,418,182	\$2,500,952	\$2,514,091
<b>Public Safety</b>	\$5,075,612	\$5,286,325	\$5,465,617	\$6,268,447
<b>Transportation</b>	\$627,921	\$592,158	\$631,533	\$1,180,743
<b>Health and Human Services</b>	\$3,115,323	\$3,371,068	\$3,410,439	\$3,362,210
<b>Community Services</b>	\$679,417	\$679,022	\$579,825	\$596,447
<b>Social Services</b>	\$5,429,140	\$5,878,296	\$5,193,540	\$5,379,797
<b>Economic/Physical Development</b>	\$770,392	\$762,377	\$711,058	\$877,184
<b>Education</b>	\$2,893,240	\$3,300,620	\$3,778,697	\$3,651,959
<b>Culture and Recreation</b>	\$602,090	\$630,064	\$624,769	\$642,871
<b>Contingency</b>	\$45,000	\$161,415	\$50,000	\$100,000
<b>Capital Outlay</b>		\$50,000	\$50,000	\$151,000
<b>Debt Service</b>	\$963,000	\$963,000	\$963,000	\$963,000
<b>Debt Service Interest</b>	\$201,536	\$186,432	\$171,328	\$156,224
<b>Transfer to Revaluation Fund</b>	\$0	\$0	\$0	\$75,000
	<b>\$22,745,945</b>	<b>\$24,278,959</b>	<b>\$24,130,758</b>	<b>\$25,918,973</b>

## Expenditure Highlights

In recent years, County departments have been cutting their operational budgets in order to pay for inflationary increases in contracted services such as health insurance, utilities, and other purchased goods and services. With few exceptions, these efficiencies have been realized without reducing the level of service provided to the public. Madison County is fortunate to have employees and department heads who are responsible with their spending decisions, but many of our people and resources have been spread increasingly thin. This has resulted in decreased efficiency, increased turnover, and the inability to address some critical long-term needs facing the County. While the proposed budget continues to seek maximum cost effectiveness on non-essential items, it provides realistic funding for items such as utilities, fuel, supplies, and essential travel and training. In addition to adequately funding the current level of service being provided by County departments, the proposed budget allocates funding for essential construction and equipment needs, provides funding to meet a legislative mandate to reduce K-3 class sizes, and provides funds to address critical salary needs. Finally, the budget sets aside \$100,000 for Contingency to cover any unanticipated expenses that arise during the fiscal year.

### Public Schools Funding

The proposed budget includes \$160,000 in additional funding to the Madison County Public Schools to fund two teachers and two teacher assistants to comply with new K-3 class size requirements that have been enacted by the General Assembly. The law phases in smaller class sizes in the early grades over a three year period, beginning with the 2019-2020 school year. The Board of Education requested a total of \$340,000 to cover a total of four teachers and four teacher assistants, which is the number of positions the School System anticipates needing to fully implement the K-3 class size requirements at the end of the three-year period (2021-2022 school year). The initial \$160,000 will be adequate to cover the first year of the phased-in requirement.

After the \$160,000 increase to comply with the K-3 class size requirement, the County's appropriation to Public Schools Current Expense will now total \$2,791,120. The County's appropriation for the B-K program will continue at its existing level of \$102,000, which is the level requested in the School System's budget request. The current year's increase continues a steady trend of increased appropriation to the public schools that began in FY 2013-2014, which followed several years of steady or reduced funding during the Great Recession.

Local Funding Per Pupil			
Year	Local Appropriation	Average Daily Membership	Funding Per ADM
2012-2013	\$2,227,042	2,548	\$874
2013-2014	\$2,368,901	2,518	\$941
2014-2015	\$2,495,560	2,445	\$1,021
2015-2016	\$2,495,560	2,390	\$1,044
2016-2017	\$2,659,740	2,314	\$1,149
2017-2018	\$2,738,120	2,266	\$1,208
2018-2019	\$2,733,120	2,248*	\$1,216*
2019-2020	\$2,893,120	2,286**	\$1,266**

The proposed budget also allocates \$1,076,006 in 40/42 sales tax funds for the annual loan payment for the 2016 school construction program (\$429,667) and to fund other repair and maintenance needs for school facilities (\$646,339). 40/42 funds can only be used for public school construction, indebtedness, and limited equipment purchases. The funds cannot be used for non-school purposes, and cannot be used to cover school system salaries. As has been the practice developed in recent years, the County will make an additional appropriation of 40/42 funds for other capital outlay when all sales tax revenues for FY 2018-2019 have been received in September. There remains a reserve of 40/42 funds to cover two payments for the 2016 building program loan and to cover other school construction projects requested by the Board of Education.

#### Capital Projects and Purchases

The budget allocates \$313,000 for building renovations and vehicle purchases. This includes \$80,000 for the purchase of three patrol vehicles for the Sheriff's Office, \$82,000 for routine facilities maintenance on all county property, and \$151,000 for Capital Outlay, for which the first priority is continued renovation of the courthouse.

The County has invested \$427,180.71 in the courthouse renovation project since it began in 2012. An estimated \$565,000 would complete the remaining work on the building and renovate existing County property for auxiliary court space. The \$151,000 in the proposed budget will either go toward completion of the next phase of the courthouse renovations on the first floor of the building or will be used to pay indebtedness on a loan to complete the courthouse project. County staff and the Board of Commissioners will evaluate these options in the first few months of FY 2019-2020 to determine the best way to move forward with the project. Any decision to borrow money for the project would require a public hearing and approval by the Local Government Commission.

<b>Courthouse Renovation Expenses (2012-present)</b>	
FY 12-13	\$55,680.13
FY 13-14	\$110,789.37
FY 14-15	\$83,679.98
FY 15-16	\$44,768.81
FY 16-17	\$60,493.19
FY 17-18	\$71,769.23
FY 18-19	\$0.00
<b>Total</b>	<b>\$427,180.71</b>

#### Salaries and Benefits

The proposed General Fund budget includes \$456,000 to cover increases in employee salaries and benefits. \$81,000 of this amount will be covered by the State for departments that receive State funding based on their total expenses. After accounting for the State's reimbursement, the total County increase in salaries and benefits is \$375,000. The increased expenditure allows the County to maintain its current insurance plan for employees, covers increases in employer retirement contributions, brings all employees to a minimum pay rate of \$10.00 per hour, and funds salary inequities for positions that are the least competitive with area employers. The

budget also includes funds for a pay study to assess the County's competitiveness with salaries and benefits offered for similar positions with area employers.

#### Other Expense Highlights

- \$75,000 is set aside to prepare for the 2028 property tax revaluation. The County is required to save for the eight year revaluation in order to have the money on hand to pay for it when it begins. It is anticipated that budgeting \$75,000 to \$100,000 each year toward this fund between now and 2027 will adequately fund that year's revaluation.
- The budget continues \$100,000 for grant matching related to economic development/education. In FY 18-19 the funds were used to match a Federal broadband grant for the Shut-In community. This is the fourth year for such funds to be set aside in the budget. While the funds will only be used if grant funding opportunities arise that fit the goals of the County, it is important to not have the lack of local match be a barrier to seeking funding for a project that will be beneficial.
- \$30,000 is provided for the second year of Madison County's Drug Treatment Court. The service is provided through a contract with the nonprofit Restorative Justice Center, and is funded equally by Madison, Yancey, and Mitchell counties. The program launched in November, and currently has 10 Madison County residents enrolled.
- The budget provides \$3,000 in the Animal Control budget to cover spay/neuter services that have previously been funded by the Friends of Madison County Animals. The funds, which are added to grant funds received by Animal Control, make pets that come to the shelter more adoptable. Effective use of these funds, along with strong partnerships with other shelters in the region, have enabled the Madison County Animal Shelter to achieve a 96% live release rate.
- The budget allocates \$2,000 in the Parks and Recreation budget to pay for the monthly light bill at the Beech Glen ballfield.
- The budget maintains the existing appropriation for nonprofits:
  - \$850 for each community club (total of eight clubs)
  - \$2,400 to cover expenses for association meetings for Madison County's community organizations, held at Cooperative Extension.
  - \$850 for Special Olympics
  - \$2,000 for WNC Communities
  - \$15,000 for the Madison County Arts Council
  - \$10,000 for the Madison County Fairgrounds
  - \$20,000 for My Sister's Place
  - \$5,000 for Pisgah Legal Services
  - \$4,200 for the Community Housing Coalition
  - \$3,000 to provide United Way 211 service to Madison County

#### **Landfill Fund**

The Landfill Fund is an enterprise fund that operates independently of the General Fund. While the General Fund is operated with revenues from property tax, sales tax, and other sources, the Landfill is funded by collections from the solid waste disposal card, commercial and residential tipping fees, sale of recyclables, and other sources.

- The proposed budget for the Landfill is \$1,977,861 (\$43,000 reduction from current year).
- \$51,000 is appropriated from Landfill Reserves to cover Landfill operations.

- The budget maintains the \$160 per household disposal card fee.
- The budget maintains a \$47 per ton household garbage tipping fee for commercial haulers and increases to \$41 per ton the construction and demolition debris tipping fee (\$4 increase). The new fee for construction and demolition debris is in line with neighboring counties.
- The Landfill budget includes funds for salaries and benefits (\$66,000) to bring all employees, including new hires, to a minimum pay rate of \$10.00 per hour. \$9,000 is included to cover increased health insurance costs for Landfill employees.
- \$30,000 is appropriated to contingency for unanticipated needs throughout the year.

### **Fire Tax**

The attached list includes Fire Tax revenues for each department that has service territory in Madison County. The fire tax is assessed only to residents of that district and funds simply pass through the County. None of the fire departments have requested a rate increase.