

Budget Message

June 9, 2020

Madison County Board of Commissioners

Chairman, Dr. Craig Goforth

Vice-Chair, Mark Snelson

Norris Gentry

Matt Wechtel

Wayne Brigman

Commissioners,

In March, the COVID-19 pandemic started spreading across the United States and has impacted every citizen in one way or another. The economic uncertainty, job losses, many business having to shutter their doors, and countless individuals wondering what comes next. While the citizens of Madison County have done an excellent job in taking precautions to avoid this virus, the impact to the community is still being felt and will be for the foreseeable future. Prior to the Pandemic, Madison County was preparing for a much brighter economic outlook. Accordingly, County Department Heads and Agencies of Madison County prepared their original budget submissions in light of what was believed to be a promising near term period of economic prosperity and growth. Unfortunately, the pandemic has wreaked havoc on the economy. In response to the changing economic conditions, department heads, elected officials, and other agencies within Madison County have been working to trim budgetary requests in light of the downturn in the economy.

To illustrate the impact of COVID-19 the following table shows a projection of the revenue loss on a few key revenues of Madison County.

MADISON COUNTY, NORTH CAROLINA			
Estimated Revenue Loss Due to COVID - 19			
Revenue Source	Budget Before COVID 19	Budget with COVID -19	Revenue Loss
Sales Tax	\$ 4,088,710	\$ 3,802,500	\$ (286,210)
Current Year Property Tax	\$ 11,949,747	\$ 11,635,280	\$ (314,467)
Motor Vehicle Tax	\$ 933,500	\$ 879,837	\$ (53,663)
Register of Deeds Fees	\$ 305,000	\$ 289,750	\$ (15,250)
Building Inspections	\$ 174,000	\$ 165,300	\$ (8,700)
Interest Earnings	\$ 85,000	\$ 25,500	\$ (59,500)
Totals	\$ 17,535,957	\$ 16,798,166	\$ (737,790)

As you can see, the impact on the governmental revenue sources is quite significant. For example, the sales tax collection is estimated to decline approximately 7% on annual basis. While everyone expects there will be a “return to normal” soon, the first two quarters of fiscal year 2021 will likely be down

substantially. The North Carolina Association of County Commissioners COVID-19 guidance suggested declines in the first two quarters of fiscal year 2021 could be down as much as 25% in the first quarter and 12% in the second quarter. A gradual recovery is expected in the last two quarters of fiscal 2021 which should see sales tax revenue recover.

The economic downturn and jobless rates will impact property tax collections during the upcoming fiscal year. In light of this fact, the collection rate has been reduced to 92.5% which represents our best estimate of the anticipated decline in collection of this revenue source. Ad-valorem taxes on vehicles will be down as well. The County staff estimates the collection rate will remain high at 99.5% during the fiscal year.

It is anticipated that several other selected revenues will decline, too. For example, a decline in fees from the Register of Deeds, Building Inspections, and Interest on Investments are illustrated in this chart. The above chart is just an illustration of the conservative revenue estimates being incorporated into this budget. Further, the staff is anticipating revenue declines in intergovernmental revenues as the State of North Carolina looks for ways to balance its budget. All known decreases in the grant allotments have been incorporated into this proposed budget. In the event that intergovernmental revenues do decrease during the upcoming fiscal year, the County will need to make necessary spending cuts to keep our budget in balance.

Nevertheless, the proposed Fiscal Year 2021 budget for the general fund totals \$25,851,554 and is balanced. The budget includes no new positions or pay increases to existing positions. However, there are some changes to the operational plans that deserve mention since these costs have increased substantially from one fiscal year to the next.

As a result of the buy-out of the former Mission Hospital by HCA Healthcare, the cost to provide ambulance service in Madison County has gone up by \$623,332.00 from one year to the next.

Another major increase in this year's budget is for costs associated with a request from the Madison County Board of Education totaling \$160,000.00 for two additional teachers and two teacher assistant positions. This increase is necessary to keep K-3 class sizes in line with state mandates. In the proposed budget for this fiscal year, the Madison County Board of Education has been allocated their full request. And, when the additional quarter cent sales tax is levied, the budget will be amended with your consent to appropriate those funds to the Board of Education.

The local government retirement employer matching contribution percentages are increasing in the upcoming fiscal year from 9.03% to 10.23% for employees participating in the local government retirement system. The rate for employees participating in the local government retirement system – Law Enforcement will change from 9.7% to 10.98%. The increase in cost for this expense in FY 2021 totals \$108,974.00 when compared to FY 2020.

The cost to provision these three line items has increased nearly \$900 from one fiscal year to the next. These costs represent continuation items and will require an on-going revenue source to fund these on an on-going basis.

MADISON COUNTY, NORTH CAROLINA			
2020 ASSESSMENT VALUE ESTIMATES			
2021 BUDGET			
ESTIMATED LEVY			
Total Real/Personal Value		\$ 2,515,736,130	
Motor Vehicles Value		\$ 176,851,367	
Total Estimated Value		\$ 2,692,587,497	
Proposed Tax Rate		\$ 0.50	
Real/Personal Value Levy		\$ 11,635,280	
Collection Rate - Real/Personal		92.50%	
Motor Vehicles Levy		\$ 879,837	
Estimated Total Levy		\$ 12,515,116	
Total Dollars Per Penny		\$ 250,302.32	

If this budget passes as presented, the ad-valorem tax rate will be \$0.50 cents per \$100 of assessed property valuation. For comparison purposes, the revenue neutral tax rate is \$0.46 cents per \$100 of assessed property valuation. In years when the County is completing a revaluation, the comparative tax rate is presented for citizens to see the impact of revaluation on their property tax rates.

There is very little capital outlay being requested at this time. A total of \$159 thousand to purchase law enforcement vehicles, and maintenance department mowers and equipment. The vehicles and equipment are vital to the County's public safety and aesthetic appeal. It is anticipated that these capital outlay items would be financed shortly after the mid-point of the fiscal year, if economic conditions have stabilized. In the Sheriff's Office there are two police interceptors with equipment and radios totaling \$80,000 scheduled to replace existing vehicles with high mileage. In the Maintenance Department, one truck replacement, one tractor, and three commercial lawn mower replacements totaling \$79,000.

In the coming months, the County needs to update the comprehensive plan. In conjunction with this effort, staff has included funding a planning and zoning director position. The planning and zoning administrator will play a key role in the development of the updated comprehensive plan whilst also working with key professionals to update the County's ordinances related to these functions. In the meantime, the County will continue to contract this service through the Land of Sky.

Looking forward, the County will commence the development of a Capital Improvement Program that will identify needs and prioritize capital outlay items. This program will be comprehensive and involve key partners such as the Madison County Board of Education and their staff. The objective of this approach is to provide a blue-print on the vision for Madison County that details how the plan will be

implemented. Our citizens will be invited to town hall type meetings once this process is started to provide input and feedback.

The County's unrestricted fund balance is only slightly higher than the North Carolina Local Government Fiscal Control Act requires. This is very significant, especially during lean times. The requirement is to maintain at least 8% of the operating budget in fund balance. This is necessary to be able to operate from the end of the fiscal year until the property tax receipts begin to be realized. The fund balance provides working capital to transition from one fiscal year to the next without having to disrupt services or finance operations through some form of borrowing. The County Manager will be providing the Board of Commissioners with some recommendations on fiscal policy in the very near future. As of the last audited financial report for the year ended June 30, 2018, the county's unrestricted fund balance was only \$2,424,863 or 10.32 % of total General Fund Expenditures for the fiscal year. Most county governments similar in size to Madison County maintain approximately 30% of expenditures in unrestricted fund balance. This is done to assure adequate resources and working capital are available to meet the business needs of the government.

In closing, Madison County will face this Pandemic on a new front now. Our challenge is to rise out of this human tragedy with hope for a very bright future. The County Department Heads, Elected Officials, and all who contributed to this budget are to be commended. It is indeed a privilege to work with colleagues who are determined to meet any challenge and to do it with excellence. Our County will work with the austere budget and demonstrate our resiliency and resolve to do our best while continuing to employ all current positions, maintain the existing level of services, and keep our budget in balance.

As this budget progresses, staff fully expects the Board of Commissioners to have questions and or make adjustments to this proposed budget. Staff stands ready to assist in the deliberations of this budget.

Respectfully,

Mark H. Pullium
County Manager