Montgomery County Government

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TO: Board of Commissioners

FROM: Matthew M. Woodard, County Manager

RE: Fiscal Year 2012-13 County Budget

DATE: June 11, 2012

I have the privilege of submitting herewith a balanced budget for the upcoming 2012-13 fiscal year. In compliance and conformance with general statutes and GAAP principles, this budget was compiled through a process of initial budget submissions, work sessions with finance, and deliberations with Commissioners. The purpose of this budget is to ensure county fiscal responsibility while meeting the needs of the citizens of Montgomery County.

The following discussions are intended to encapsulate the budgetary process, to project the current welfare of county funded entities, present factors that will influence future budget cycles, and to overview opportunities to deal with those influences and to meet the needs of our citizens.

The submitted FY 12-13 budget reduces county expenditures from FY 11-12. While many operational costs increased from the previous year, the $26 million budget for FY 12-13 reflects the minimal level of expenditures needed, given the current structure of the organization, to meet the aforementioned needs of the county. The purpose of this scaled-down budget is two-fold. The first obviously being the requirement to stay within the confines of projected revenue streams, which will be discussed in greater detail later in this document. The second being a similar desire to budget at a revenue neutral property tax, a topic also discussed at length below.

The FY 12-13 budget reflects a concentrated effort to track historical patterns of expenditures and to set attainable cost savings goals as a baseline to establish core costs. This zero based budgeting approach will allow us to measure the impact of future improvements within the organization.

For most, it is unarguable that Montgomery County has suffered a slow deterioration in the face of a collapsed economy. Unemployment rates of 12%+ hardly speak to the true state of fiscal suffering, the loss of business, and staggering increases in social welfare dependence. These factors weighed considerably in the development of a smaller fiscal budget, despite increased demands on health and human services, public safety, and the need for more productive and responsive government. However, the ability to increase services, as well as to keep pace with inflation, relied solely on an increase in revenue to fund county operations. This revenue was not forthcoming and in fact continued to decline, particularly from state and federal appropriations. As a result, costs saving measures were implemented wherever possible.

It is my hope and intention that this coming year will be a year of measurement, a year of development, a year of collaboration, and a year of progression. Fostering a culture of ownership within the organization, with the belief and commitment that the first steps toward prosperity begin with how we treat our employers, the citizens of Montgomery County, how we spend their resources, and how well we work together, will be a primary objective for the upcoming year.

PROPERTY REVALUATION:

The year 2012 marked the eighth and final year since the last property revaluation in Montgomery County. As required by general statute, a property revaluation was completed this year for the 29,000 + taxable properties in the county.

Included in this budget package (Exhibit A) is the Revenue Neutral Tax Rate Calculation resulting from that property revaluation. While the Board of Equalization and Review continues to hold tax revaluation appeal hearings, deliberations which will presumably result in modifications to the final county valuation (as may appeals made to the State Property Tax Commission), for the purpose of presenting a budget an estimated taxable value must be projected at this time.

The estimated Montgomery County taxable property valuation for 2012 is $2,847,786,294. The value is an increase of $521,711,869, or approximately 22%, from the previous year's taxable value of $2,326,074,425. In accordance with the North Carolina Local Budget and Fiscal Control Act, the collection rate as reported in the most recent audited financial report must be applied to the gross levy and the result of that calculation is the amount included in the new budget.

This increase in taxable value (notwithstanding the presence of an overall poor economy and a weak property sales market) is mainly due to the duration between the last revaluation and the subsequent undervaluation of property values that typically results from a lapse of eight years. In fact, Montgomery County was last in the state in the sales-to-assessed value tabulation. Montgomery County properties, according the sales figures tracked by the State Property Tax Commission, were approximately 30% undervalued at the end of 2011.

One factor to note (given the 30% undervaluation figures monitored by the state in 2011 and the corresponding lower figure of a 22% increase in the 2012 reassessment) is the exceeding high number of properties placed in land use and also to exemptions granted for low income seniors and disabled veterans. Over the last three months, the tax office deferred $69 million dollars due to land use and exemptions. These reductions significantly lowered the taxable value and subsequently impacted the revenue neutral rate.

REVENUE NEUTRAL RATE:

As required by statute G.S. 159-11(e), the county must present a growth-factor adjusted tax revenue neutral rates following a property revaluation. These rates reflect what the county's new tax rates would be, after a revaluation, in order to produce the same amount of revenue as the county received the prior year (growth rate added). As taxable property values increased by 20%, the revenue neutral tax rate would obviously be less than the tax rate from the current year. The revenue neutral rates are as follows:

Revenue Neutral Calculation

DEDICATED SOURCE	2011-12 RATE	2011-12 ESTIMATED LEVY	2012-13 REVENUE NEUTRAL RATE (w. growth rate)
General Fund	.65/100	$15,119,483	.541/100 rounded
Fire Tax	.02/100	$465,214	.017/100 rounded
Badin Lake Fire	.06/100	$372,720	.054/100 rounded
Lake Tillery Fire	.05/100	$177,276	.042/100 rounded

Outside of the Badin Lake and Lake Tillery districts, the overall tax revenue neutral rates would drop the current FY 11-12 tax rate of .67 cents (.65 + .02) per $100 in value to .56 cents (.541 + .017) per $100 dollars in value. For a homeowner whose value increased by the overall county average of 22%, a breakdown of year-to-year taxes paid at the revenue neutral rate would be as follows:

Taxes Paid at Revenue Neutral Rate

YEAR	HOME VALUE	TAX RATE	TAXES PAID
2011	$60,000	.67/100	$402
2012	$73,200	.56/100	$409

Each additional .01 cent to the tax rate would yield approximately $284,000 to county revenue.

SALES TAX, LOTTERY PROCEEDS, SERVICE REVENUES, AND INTERGOVERNMENTAL REVENUES:

A portion of the sales tax revenue is restricted for school capital needs and is receipted into a designated fund for approved expenditures. Remaining sales tax revenue is unrestricted and accounts for the most significant source of discretionary funding outside of property tax collection. FY 11-12 sales tax collection exceeded budgeted expectations, and the FY 12-13 projections reflect those trending amounts and expectations of continued moderate growth in sales tax revenue.

Lottery proceeds were also higher than budgeted for FY 11-12. This trend, as well as an expectation that the state will release additional lottery funds to counties statewide, resulted in an increased lottery revenue projection for FY 12-13.

Service Revenues are budgeted to be down by 15% for FY 12-13. The largest component of this downward budget is landfill revenue. The City of Greensboro has not made a decision as to who will provide the hauling and disposal services the for City's FY 12-13 waste stream. That decision, if the contract is not awarded to the current provider (Republic Services), may affect Montgomery County's service revenue by one-half million dollars. The contract is set to be awarded in mid-June 2012. For budgeting purposes, the budget being presented excludes the additional landfill revenue generated from the Greensboro waste. Prioritized recommendations were presented to the Board of Commissioners for utilizing those proceeds if the City of Greensboro continues its contracted services with Republic. Those recommendations will be discussed below in greater detail.

Revenue received for housing inmates from surrounding county overflow and the new statewide misdemeanant program is projected to provide $540,000 toward the costs of the jail facility and inmate housing costs. Since its inception the Sheriff has steadily increased the number of misdemeanants in the program. The State pays $40 per day, plus any medical or transportation costs, for these inmates. While a revenue enhancement, the concerns being raised due to the increasingly violent offenders being housed in the misdemeanant program are whether the additional revenue offsets the additional costs. Increases in facility repair costs, mainly due to prisoners abusing the facilities, and the potential need for additional staff may make the program less desirable as a revenue source.

Restricted intergovernmental revenue, state and federal appropriations, is also budgeted downward in FY 12-13 by 14%. These cuts resulted from expected Department of Health and Human Services (DHHS) appropriation reductions. Additionally, reimbursement projections for salary expenditures via DHHS also are decreased for FY 12-13. Historically, salary reimbursements have not matched projections. This year's revenue projections are based more on historical reimbursement rates and funds available from state and federal sources.

BUDGET REQUESTS FY 12-13:

Almost all county funded entities requested budget increases for FY 12-13. It can also be fairly stated that these requests were of merit and would have provided additional and needed services to the county as a whole. Some of these requests were for staff salary increases, like the Sheriff's Office, as a means to stem the loss of trained employees to surrounding counties. While small increases were budgeted for FY 12-13 to raise base salaries for Jailor I and Deputy I positions, competitive salary increases were not fiscally attainable for either the Sheriff's Office or any other county funded entities. No other departmental base salary increases or cost of living adjustments were funded in the FY 12-13 budget.

New positions were also requested in FY 12-13. These positions included critical positions such as Health Department nurses, I.T. technicians, and maintenance staff. Not filling these positions impact the County's ability to provide the level of service desired, but they could not be funded in a revenue neutral budget. Some additional highlights to the FY 12-13 budget are as follows, many to be discussed in greater detail below:

1. Montgomery County Schools: requested increases in current and capital appropriations. The capital request was to provide matching funds for a federal grant which would provide wireless access for online testing.
2. Montgomery Community College: requested reinstatement of past allocations in part to fund facility maintenance/housekeeping positions.
3. Sheriff's Office: requested funding for a tiered pay scale approach in an effort to attract and retain qualified deputies, detectives, and jailors. Requested additional vehicles for jail and school resource officer needs.
4. Health Department: requested funds to fill nursing vacancies.
5. Dept. of Social Services: requested program funds to cover state/federal funding cuts.
6. Rescue Squad: requested funds to replace outdated rescue truck.
7. Information Technologies (I.T.): all I.T. related maintenance contracts, software contracts, and capital computer needs were consolidated into the I.T. budget for purposes of tracking, evaluation, and I.T. oversight.
8. Governing Body: cancelled membership dues to BRAC and PTEDC.
9. 911 Center: eliminated overtime budget. Established funds for pool of qualified p-time workers to meet the needs of the center.
10. Public Buildings: consolidated all maintenance and utility budgets to this department as a means to track, evaluate, and implement costs savings. Requested funds for repairs to Health Dept. roof and Animal Shelter.

EMPLOYEE HEALTH INSURANCE:

During the budget process, county administration was cognizant of a 122% loss ratio suffered by its insurer during FY 11-12. First Care of the Carolinas (FCC) paid out medical claims significantly higher than the amount collected from Montgomery County in employee premiums. This loss resulted in an overall 9% rate increase for FY 12-13 and was accordingly budgeted.

Since those calculations, however, FCC recently presented an alternate plan for FY 12-13. Under the new plan, employees have two health insurance options. The first option is basically the same plan available in FY 11-12. The second is an HMO option. The HMO option significantly reduces out-of-pocket expense for employees, as long as they remain in the FirstHealth and UNC Hospital network, and also reduces the County's per employee costs. Under the HMO plan, employee paid deductibles drop from $2,500 to $1,000, and copayments from $35 to $15. The County's costs under the HMO option drop from the expected 9% rate increase of $500 per employee/per month to $458 per employee/per month.

To incentivize the switch to the HMO option, especially this close to the start of the new fiscal year, the County offered employees the savings difference for changing plans. Employees opting to switch receive the $42 per month savings the county initially budgeted. This incentive pays one-half of the employees deductible for the upcoming year.

PUBLIC BUILDINGS AND CAPITAL NEEDS:

Years of declining budgets resulted in the suspension of many building projects, as well as halting many major repairs and replacements to roofs, mechanical systems, and other infrastructure components. While revenue collections have stabilized there are still not enough funds available to address most of the capital needs of the county. The FY 12-13 budget does address, to the extent available, two of the more serious facility needs by authorizing repairs to the Health Dept. roof and the animal shelter, but many more projects remain unfunded.

Likewise many known building inefficiencies remain in place due to the lack of available funds for energy efficient improvements. The ability to replace outdated fixtures, windows, doors, fans, controls, and other components (with relatively short term paybacks) would greatly benefit the county. Also missing is a comprehensive and intelligent master facility plan to identify and prioritize repair/replacement items.

Having and maintaining a preventive maintenance plan reduces long term facility costs by extending the usual life of existing county facilities. Toward that goal, the Public Buildings department has been tasked in FY 12-13 with developing such an instrument. The completed project will allow the county to track expenditures more effectively and to use available funds more appropriately.

Given the task at hand and the limitations of having a Public Buildings department comprised of one individual employee, consideration will be given to, and data compiled for, utilizing third party contract labor for the landscaping of public grounds. Such considerations will extend to exploring arrangements with the neighboring municipalities or other county funded entities. Where possible the county needs to look for costs savings utilizing other available options. The goal for FY 12-13 is to make progress toward having safe, clean, maintained and usable facilities while maximizing available funds.

One positive note for county facilities in FY 12-13 will be the completion of the county airport paving rehabilitation project. Funded exclusively by the $1.7 million state block grant and the vision 100 grant funds, the rejuvenated airport will result not only in the county not losing its airport due to substandard facilities but also will provide another component toward economic rejuvenation.

MEGA-PARK AND ECONOMIC DEVELOPMENT:

The hope and optimism for a functioning mega-park in Biscoe, as well as for EDA and Rural Center grant funds, dimmed with the March 2012 announcement that Poultry Power would not be building an energy plant in the park. The loss was particularly painful as it was accompanied by the subsequent loss of EDA and Rural Center grant funds. These funds were earmarked for critical infrastructure needs. The grant funds were intended to bring water and sewer availability to the park, components necessary for the parks' vitality. These grants funds, however, were dependent of job creation via Poultry Power.

Also discouraging was the lack of support the county was receiving from its regional economic development partnership, the PTEDC. Consequently, the County lobbied to pull out of the regional partnership and asked the state to appropriate Montgomery's Tier I economic development funds directly to the Montgomery EDC. Similarly, the funds the county was paying to the PTEDC in membership dues were reverted to the local EDC in the FY 12-13 budget as a means to meet additional expenses associated with leaving the partnership umbrella.

The main obstacles facing the mega-park remain the lack of industrial infrastructure: water, sewer, and natural gas. Funding for these projects remains a primary objective for the county.

WATER PLANT/ENTERPRISE FUNDS:

The FY 12-13 budget reduces the amount of funds being transferred from the water fund to the general fund. The FY 11-12 transfer of $260,000 was reduced to $67,000. This transfer goes toward meeting the water plant's share of administration costs: primarily audit and accounts payable functions.

There are four major water projects progressing in FY 12-13. The first is the Raw Water bank project. The $650,000 project repairs erosion and mechanical issues at the County's intake source. The repairs are being 75% funded by the Golden LEAF foundation.

The second project is a $1.7 million dollar plant redesign to lessen alum sludge waste. This project is being funded via a 0% interest loan from DENR.

The third water project is the high service pump and is crucial to water distribution. This project was bid in December 2011. The high service pump project is a $1.5 million dollar project being funded by the EPA, the Rural Center, and the county. Unfortunately, the EPA halted the project after bids were accepted and approved. The EPA delay was the result of a federal STAG fund freeze. No timeline has been provided for release of the funds.

The fourth major water project underway in FY 12-13 is the continuation of the FY 11-12 water line extension project. This project provides water for 14 roads across the county. Most of the construction was funded by a low interest DENR loan. One road, Windblow, suffered from dry wells and was 50% funded by the Rural Center. As construction bids were lower than budgeted for Windblow, approximately $150,000 remains in the initial Rural Center matching grant.

County administration is working with the Rural Center to reallocate those funds to the Poole's Mill Road project. Some residents on Poole's Mill have contaminated wells. The Rural Center reallocation, accompanied by $60,000 Bernard Allen grant, would help the county work toward running water lines to Poole's Mill. This project has been identified by the county as the priority water line construction project.

QUALIFIED SCHOOL CONSTRUCTION BONDS (QSCB's):

The first proceeds from the voter passed ¼ sales tax increase will be received in June 2012. Eighty percent (80%) of the funds generated from the tax are designated for Montgomery County School (MCS) capital needs. The remaining percentage (20%) is designated for capital needs at Montgomery Community College (MCC).

MCS has identified the East and West Middle School roofs as their primary repair/replacement projects. In March 2012, the county and the school system partnered for a QSCB application to allow the county to borrow funds for these projects, and several other minor capital projects (at least one at each of the county schools). The QSCB's are basically 0% interest, or very low interest, loans for school capital needs.

MCC has expressed an interest in building a continuing education facility on its campus with the sales tax revenue. No loan arrangement against the tax levy has been discussed, however.

FY 12-13 ADDITIONAL FUNDING RECOMMENDATIONS

As stated previously, several projects discussed in the budget sessions and presented to the Commissioners were pulled from the FY 12-13 budget when the City of Greensboro indicated the possibility of pulling its waste stream from Montgomery County. The potential loss of $500,000 removed the following items:

1) Reduced fund balance allocation by $50,000. The FY 12-13 budgeted allocation is only $150,000, less than one percent of the budget. Recent improvements to the fund balance are encouraging, but the county is still below the 25% fund balance reserve expected by the Local Government Commission. Meeting this 25% reserve goal would allow the county to utilize less restrictive financing options to meet county needs.

2) Remove Employee Incentive Plan ($167,000). Coinciding with recent legislation allowing the county more flexibility in administering Health and Human Services (along with the need to evaluate employee job duties county-wide in an effort to eliminate duplication of duties), administration proposed a job assessment plan. The plan provided a bonus incentive of $750 for employees to outline (utilizing a common template) their job duties as well as creating performance measurements and departmental goals. The information gathered was to be the basis for developing more efficient organizational structures and for effectively measuring employee productivity.

3) Reduce Public Building allocation by $30,000, further hindering efforts to maintain public facilities.

4) Authorize a transfer from the water fund in the amount of $67,000 to offset audit and accounts payable functions. Initial budget models eliminated transfers to help fund water facility needs.

5) Small, targeted cuts across county departments to meet the projected revenue short fall. Cuts were made to short term and long term projects, like reducing the amount of funds being set aside for the next required property revaluation.

It is the intent of the manager and county finance to report to the Board at the end of the first fiscal quarter on both the waste stream revenue from the City of Greensboro as well as on revenue collections. If economically feasible, the restoration of these projects would serve many needs in the county.

ECONOMIC OUTLOOK AND FY 12-13 TAX RATE:

It has been my pleasure to serve under a dedicated Board of Commissioners as the county manager since February 2012. I feel the Board is well attuned to both the grim factors pointing against economic revitalization as well as to the emerging signs of county job growth and development. I have covered much more of the grim details, as a budget is comprised more of known factors (like decreasing state/federal appropriations) rather than of possible, sometimes more positive factors (like the revenue positive implications of Wright Foods starting two production lines in this year, of Carolina Growler securing contracts for one munitions wagon per day for five years, or of Grede Foundry scheduling million dollar upgrades to its Biscoe facilities).

If the Board feels economic trends are reversing and that the time is right to start addressing more county needs via the establishment of a 2012 tax rate one or two cents higher than revenue neutral, these additional funds could be used to accommodate inflation, as well as eliminating barriers constricting county government functionality and efficiency. Likewise, I will continue working collaboratively with all county funded entities to collect and present accurate data to the Board as they prioritize and fund projects designed to meet the needs of the residents and to promote growth.

Very respectfully submitted,

Matthew M. Woodard

Matthew M. Woodard
County Manager

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FY2013 MONTGOMERY COUNTY REVENUE - NEUATRAL TAX RATE CALCULATION GENERAL FUND

In a property revaluation year, the North Carolina General Statute 159-11(e) requires local governments to calculate the revenue-neutral property tax rate for comparative purposes.

Step 1. Determine a rate that would produce revenues equal to those produced for the current fiscal year.

Step 2. Increase the rate by a growth factor equal to the average annual percentage increase in the tax base due to improvements since the last general reappraisal.

Step 3. Adjust the rate to account for any annexation, deannexation, merger, or similar event.

N.C.G.S. 159-11 (e) In each year in which a general reappraisal of real property has been conducted, the budget officer shall include in the budget, for comparison purposes, a statement of the revenue-neutral property tax rate for the budget. The revenue-neutral property tax rate is the rate that is estimated to produce revenue for the next fiscal year equal to the revenue that would have been produced for the next fiscal year by the current tax rate if no reappraisal had occurred. To calculate the revenue-neutral tax rate, the budget officer shall first determine a rate that would produce revenues equal to those produced for the current fiscal year and then increase the rate by a growth factor equal to the average annual percentage increase in the tax base due to improvements since the last general reappraisal. This growth factor represents the expected percentage increase in the value of the tax base due to improvements during the next fiscal year. The budget officer shall further adjust the rate to account for any annexation, deannexation, merger, or similar event.

Step 1. Determine a rate that would produce revenues equal to those produced for the current fiscal year.

FY2012 Projected Total Valuation Before Revaluation	$	2,326,074,425
FY2012 Tax Rate		0.65
Tax Levy at FY2012 Rate without revlauation = ($2,326,074,425/100) x 0.65	$	15,119,484
FY2013 Projected Total Valuation after Revaluation (excludes growth due to improvements)	$	2,847,786,294
Tax Rate That Would Produce Revenue Equal to FY2012 =$15,119,484/(2,847,786,294/100)	$	0.53

Step 2. Increase the rate by a growth factor equal to the average annual percentage increase in the tax base due to improvements since the last general reappraisal.

Fiscal Year	Assessed Value	Valuation Increase	Annual Percent Increase
2005	2,058,049,273.00		
2006	2,112,462,034.00	54,412,761.00	2.64%
2007	2,175,242,818.00	62,780,784.00	2.97%
2008	2,241,789,289.00	66,546,471.00	3.06%
2009	2,289,850,146.00	48,060,857.00	2.14%
2010	2,315,525,012.00	25,674,866.00	1.12%
2011	2,324,027,948.00	8,502,936.00	0.37%
2012	2,326,074,425.00	10,549,413.00	0.46%
2013	2,847,786,294.00	523,758,346.00	22.54%
Average Annual Growth Since 2005 Revaluation			1.82%

FY2013 revenue-neutral rate (with 1.82% growth factor applied) = 0.53 x 1.0182) 0.5406

FY2013 MONTGOMERY COUNTY REVENUE - NEUATRAL TAX RATE CALCULATION VOLUNTEER FIRE DISTRICTS

In a property revaluation year, the North Carolina General Statute 159-11(e) requires local governments to calculate the revenue-neutral property tax rate for comparative purposes.

Step 1. Determine a rate that would produce revenues equal to those produced for the current fiscal year.

Step 2. Increase the rate by a growth factor equal to the average annual percentage increase in the tax base due to improvements since the last general reappraisal.

Step 3. Adjust the rate to account for any annexation, deannexation, merger, or similar event.

N.C.G.S. 159-11 (e) In each year in which a general reappraisal of real property has been conducted, the budget officer shall include in the budget, for comparison purposes, a statement of the revenue-neutral property tax rate for the budget. The revenue-neutral property tax rate is the rate that is estimated to produce revenue for the next fiscal year equal to the revenue that would have been produced for the next fiscal year by the current tax rate if no reappraisal had occurred. To calculate the revenue-neutral tax rate, the budget officer shall first determine a rate that would produce revenues equal to those produced for the current fiscal year and then increase the rate by a growth factor equal to the average annual percentage increase in the tax base due to improvements since the last general reappraisal. This growth factor represents the expected percentage increase in the value of the tax base due to improvements during the next fiscal year. The budget officer shall further adjust the rate to account for any annexation, deannexation, merger, or similar event.

Step 1. Determine a rate that would produce revenues equal to those produced for the current fiscal year.

FY2012 Projected Total Valuation Before Revaluation	$ 2,326,074,425
FY2012 Tax Rate	0.02
Tax Levy at FY2012 Rate without revlauation = ($2,326,074,425/100) x 0.02	$ 465,215
FY2013 Projected Total Valuation after Revaluation (excludes growth due to improvements)	$ 2,847,786,294
Tax Rate That Would Produce Revenue Equal to FY2012 =$465,215/(2,847,786,294/100)	$ 0.02

Step 2. Increase the rate by a growth factor equal to the average annual percentage increase in the tax base due to improvements since the last general reappraisal.

Fiscal Year	Assessed Value	Valuation Increase	Annual Percent Increase
2005	2,058,049,273.00		
2006	2,112,462,034.00	54,412,761.00	2.64%
2007	2,175,242,818.00	62,780,784.00	2.97%
2008	2,241,789,289.00	66,546,471.00	3.06%
2009	2,289,850,146.00	48,060,857.00	2.14%
2010	2,315,525,012.00	25,674,866.00	1.12%
2011	2,324,027,948.00	8,502,936.00	0.37%
2012	2,326,074,425.00	10,549,413.00	0.46%
2013	2,847,786,294.00	523,758,346.00	22.54%
Average Annual Growth Since 2005 Revaluation			1.82%

FY2013 revenue-neutral rate (with 1.82% growth factor applied) = 0.02 x 1.0182) 0.0166

FY2013 MONTGOMERY COUNTY REVENUE - NEUATRAL TAX RATE CALCULATION BADIN LAKE

In a property revaluation year, the North Carolina General Statute 159-11(e) requires local governments to calculate the revenue-neutral property tax rate for comparative purposes.

Step 1. Determine a rate that would produce revenues equal to those produced for the current fiscal year.

Step 2. Increase the rate by a growth factor equal to the average annual percentage increase in the tax base due to improvements since the last general reappraisal.

Step 3. Adjust the rate to account for any annexation, deannexation, merger, or similar event.

N.C.G.S. 159-11 (e) In each year in which a general reappraisal of real property has been conducted, the budget officer shall include in the budget, for comparison purposes, a statement of the revenue-neutral property tax rate for the budget. The revenue-neutral property tax rate is the rate that is estimated to produce revenue for the next fiscal year equal to the revenue that would have been produced for the next fiscal year by the current tax rate if no reappraisal had occurred. To calculate the revenue-neutral tax rate, the budget officer shall first determine a rate that would produce revenues equal to those produced for the current fiscal year and then increase the rate by a growth factor equal to the average annual percentage increase in the tax base due to improvements since the last general reappraisal. This growth factor represents the expected percentage increase in the value of the tax base due to improvements during the next fiscal year. The budget officer shall further adjust the rate to account for any annexation, deannexation, merger, or similar event.

Step 1. Determine a rate that would produce revenues equal to those produced for the current fiscal year.

FY2012 Projected Total Valuation Before Revaluation	$	621,201,186
FY2012 Tax Rate		0.06
Tax Levy at FY2012 Rate without revlauation = ($621,201,186/100) x 0.06	$	372,721
FY2013 Projected Total Valuation after Revaluation (excludes growth due to improvements)	$	720,425,418
Tax Rate That Would Produce Revenue Equal to FY2012 =$372,721/(720,425,418/100)	$	0.05

Step 2. Increase the rate by a growth factor equal to the average annual percentage increase in the tax base due to improvements since the last general reappraisal.

Fiscal Year	Assessed Value	Valuation Increase	Annual Percent Increase
2005	531,247,429.00		
2006	548,078,482.00	16,831,053.00	3.17%
2007	561,380,971.00	13,302,489.00	2.43%
2008	588,440,188.00	27,059,217.00	4.82%
2009	607,244,375.00	18,804,187.00	3.20%
2010	618,450,837.00	11,206,462.00	1.85%
2011	620,964,575.00	2,513,738.00	0.41%
2012	621,201,186.00	2,750,349.00	0.44%
2013	720,425,418.00	99,460,843.00	16.02%
Average Annual Growth Since 2005 Revaluation			4.62%

FY2013 revenue-neutral rate (with 4.62% growth factor applied) = 0.05 x 1.0462 0.0541

FY2013 MONTGOMERY COUNTY REVENUE - NEUATRAL TAX RATE CALCULATION LAKE TILLERY

In a property revaluation year, the North Carolina General Statute 159-11(e) requires local governments to calculate the revenue-neutral property tax rate for comparative purposes.

Step 1. Determine a rate that would produce revenues equal to those produced for the current fiscal year.

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Step 1. Determine a rate that would produce revenues equal to those produced for the current fiscal year.

FY2012 Projected Total Valuation Before Revaluation	$	354,552,986
FY2012 Tax Rate		0.05
Tax Levy at FY2012 Rate without revlauation = ($354,552,986/100) x 0.05	$	177,276
FY2013 Projected Total Valuation after Revaluation (excludes growth due to improvements)	$	461,992,094
Tax Rate That Would Produce Revenue Equal to FY2012 =$177,276/(461,992,094/100)	$	0.04

Step 2. Increase the rate by a growth factor equal to the average annual percentage increase in the tax base due to improvements since the last general reappraisal.

Fiscal Year	Assessed Value	Valuation Increase	Annual Percent Increase
2005	264,947,710.00		
2006	275,025,534.00	10,077,824.00	3.80%
2007	303,111,878.00	28,086,344.00	10.21%
2008	315,081,914.00	11,970,036.00	3.95%
2009	330,353,507.00	15,271,593.00	4.85%
2010	346,046,897.00	15,693,390.00	4.75%
2011	352,342,933.00	6,296,036.00	1.82%
2012	354,552,986.00	8,506,089.00	2.46%
2013	461,992,094.00	109,649,161.00	31.12%
Average Annual Growth Since 2005 Revaluation			8.99%

FY2013 revenue-neutral rate (with 8.99% growth factor applied) = 0.04 x 1.0899) 0.0418