



## **County Manager's Budget**

**FY2015-2016**

May 14, 2015

### **I. Introduction to Budget Message:**

The proposed County budget for fiscal year FY2016 has been prepared in accordance with the North Carolina Local Government Budget and Fiscal Control Act and General Statute 153A-82. The proposed budget is balanced with a property tax rate of fifty-seven (57) cents per one hundred (100) dollars of property value. The budget ordinance will be available for public inspection on May 14<sup>th</sup>.

In addition to the County Manager's budget, the Board of County Commissioners will consider requests from the Montgomery County Board of Education and the Montgomery Community College Board of Trustees to create a capital reserve fund to meet the current and future educational needs of the County. The requests ask the Commissioners to approve a fund as outlined by the facilities committee, a joint educational task force, which had evaluated improvements based on a five (5) cent tax increase. If passed in its entirety, the property tax rate for FY16 would be set at sixty-two (62) cents per one hundred (100) dollars of value.

A formal presentation of the budget will be conducted at the regularly scheduled Board of Commissioners meeting on May 19<sup>th</sup>. A public hearing will be scheduled during the same meeting for public comment.

On June 16<sup>th</sup>, the Board will vote on the budget ordinance, making appropriations and levying taxes. A second public hearing will precede the vote for adoption of the budget ordinance.

### **II. General Fund Revenues:**

The General Fund Revenue projections for FY16, including collections from ad valorem taxes at a rate of fifty-seven (57) cents, will total twenty-eight million, nine hundred eighty-six thousand, eight hundred eighty four (28,986,884) dollars. This amount is a scant nineteen hundred (1900) dollars higher than the FY15 budget.

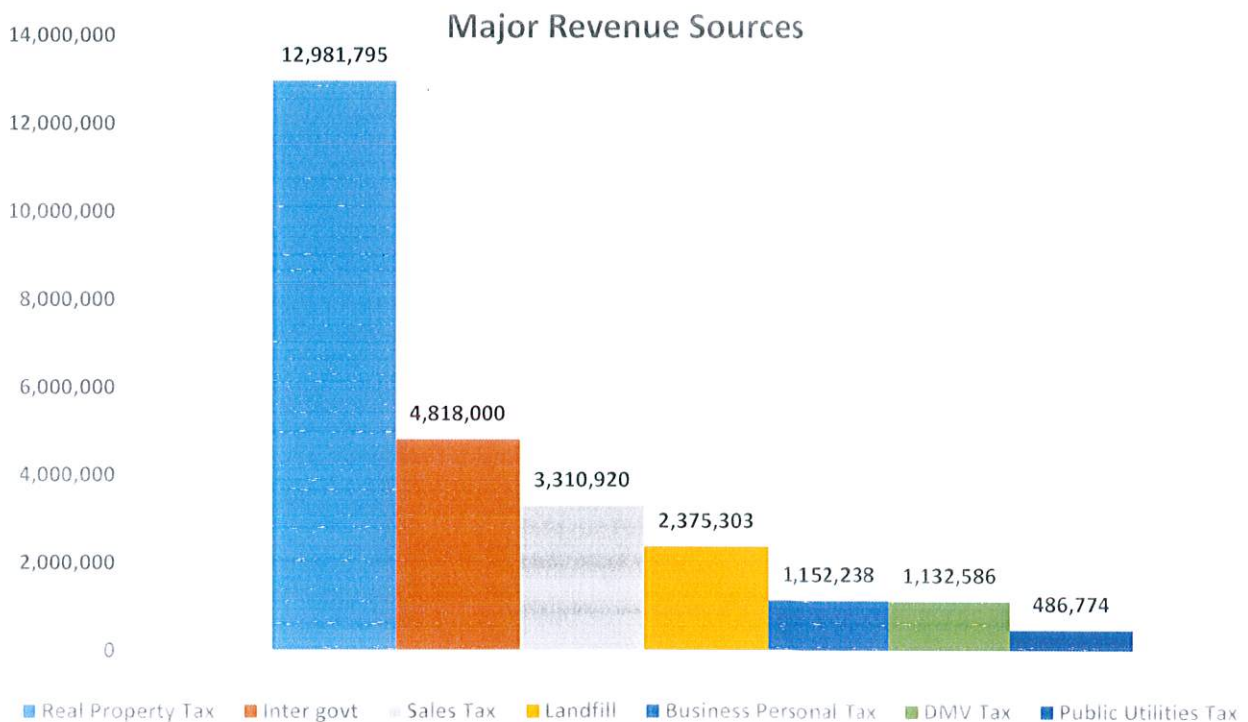
Ad valorem tax levies are slightly higher for FY16, indicating marginal growth and investment, but these small gains are offset by reductions in state and federal funding for Health and Human Services.

Sales tax revenue collections should also be higher next year. The FY16 budget for sales tax revenue is based on realized receipts through the third quarter.

Included in Intergovernmental funds, the County will draw down two hundred fifty thousand (250,000) dollars from state lottery funds to be applied toward the debt service of Greenridge Elementary. The County has a current reserve of four hundred eighty two thousand (482,000) dollars in its State held lottery account. This account earns interest.

Revenues from fees for services support County functions. The Office of the Register of Deeds and the department of Building Inspections collectively yield two hundred seventy five thousand (275,000) dollars in additional revenue. The number of construction permits issued by the Inspections department has increased, which is an encouraging sign of an upturn in development. Lake area property sales are improving and new residential homes are being constructed.

The chart below illustrates the source of a majority of funding for County functions:





### III. General Fund Expenditures:

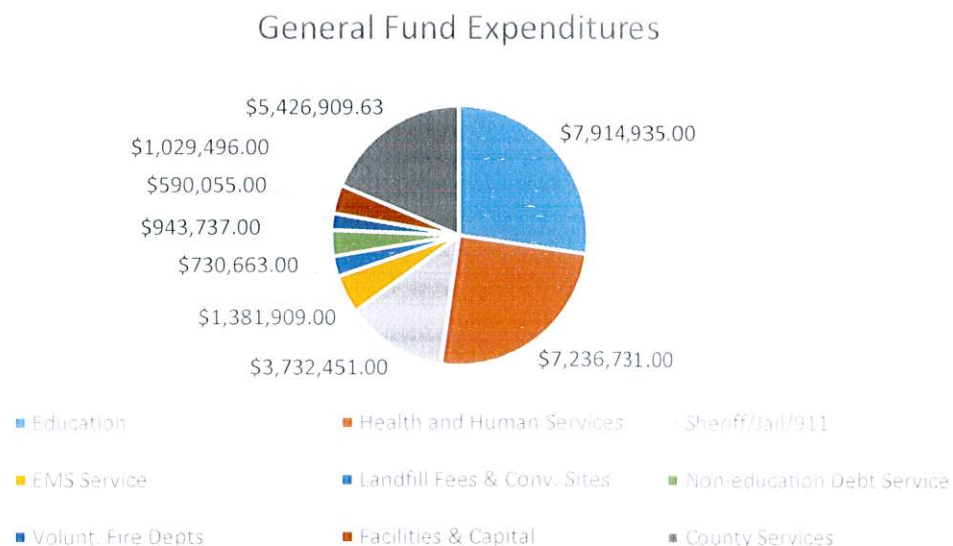
Twenty-seven (27) percent of the County budget is allocated to education. Education expenses include unrestricted current operating allocations for the public schools and the community college, restricted appropriations for capital facility needs, school resource officers, debt service for Greenridge Elementary and Bldg. 200 at Montgomery Community College, and funding for an additional Pre-K class to alleviate the County waiting list.

Health and Human Services functions include the Health Department and the Department of Social Services. The County's cost share of mandated programs equals twenty-five (25) percent of the County's budget and over half of all County employees work in these areas. Included with Health and Human Services is the Veterans' Services Office. The Office will be staffed to guard against any lapse in service to County veterans.

Public Safety expenditures account for twenty (20) percent of the County budget and include the functions of the Sheriff's Office, the County Jail, the 911 center, EMS service, and the County owned fire trucks for the ten volunteer departments in the County.

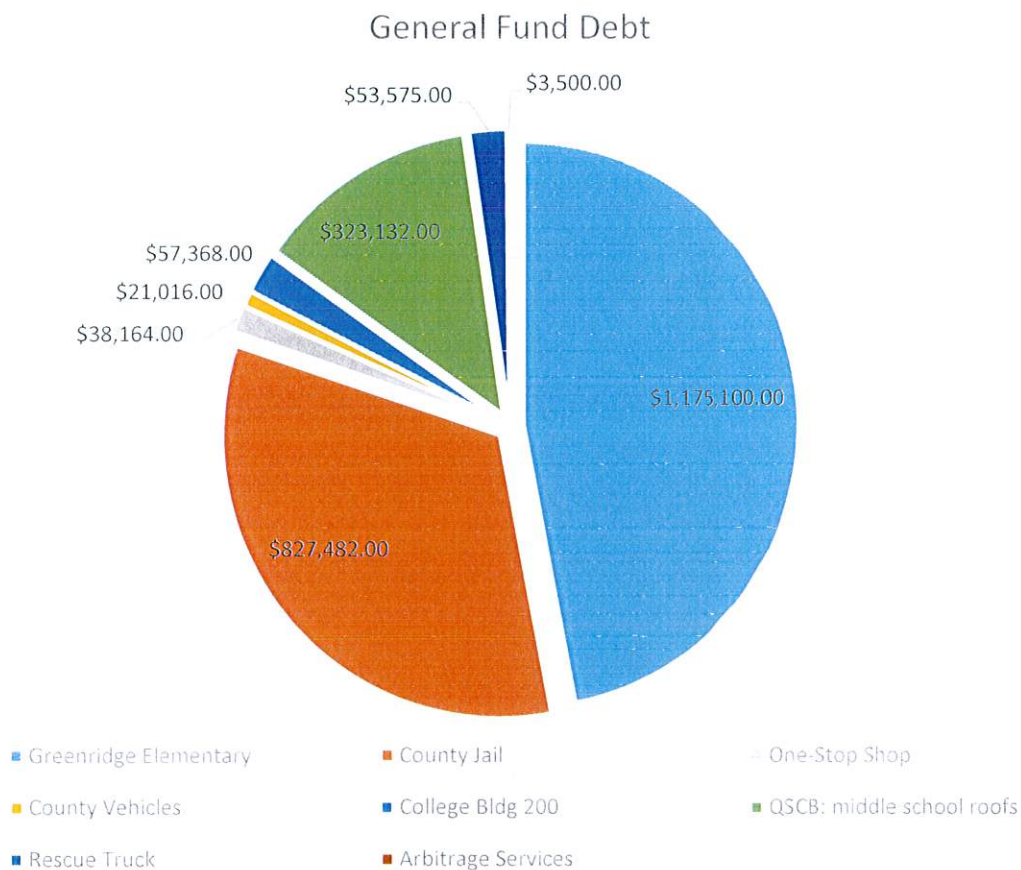
Combined, the functions of public safety, mandated social programs, and education account for seventy-two (72) percent of the County budget. Additionally, eighty (80) percent of all County employees work in either Health and Human Services or Public Safety.

Other County Services include County Administration (Human Resources, Information Technology, Finance), Tax, Register of Deeds, Animal Control, Soil and Water, Building Inspections, Economic Development, Planning and Zoning, Library, Elections, Public Facilities, and Housekeeping. The County also cost shares the functions of the Cooperative Extension Office with North Carolina State University and NC A&T.



#### IV. Debt Service:

In 2014, the County allocated approximately four million dollars toward a refinancing of the 2007 series COPS for Greenridge Elementary and the County Jail. The refinancing resulted in a lower interest rate and cut the length of the debt service by five years, from 2030 to 2025. In total, the refinancing saved the County three and one-half million dollars.



The combined General Fund Debt service is two million four hundred ninety-nine thousand three hundred thirty-seven (2,499,337) dollars or approximately nine (9) percent of County expenditures. All of the current County debt will be paid in full no later than 2025.

#### V. Capital Expenditures:

General Fund capital facility projects completed in FY15 include the Courthouse roof replacement, the construction of the Animal Shelter, the renovations to the Badin EMS facility, the installation of automated ADA doors to the Administration and Social Services entrances, remodeling of the Commissioners Assembly room, and the feasibility study for repairs to

exterior envelope of the Courthouse, as well as interior renovations for ADA accessibility, increased security, and office functionality.

For the upcoming year, renovations will be made to the One-Stop Shop for Inspections, Planning, and Environmental Health. The library parking and driveway area will be resurfaced, as well as mechanical system upgrades in Health and Social Services and roof replacement for the Administration building.

The County will continue for the third year a fleet budget for the Sheriff's Office/Jail. Two hundred seventy thousand (270,000) dollars is allocated each year for the overall sustainability of the fleet. Fuel, upkeep, and replacement of Sheriff Office/Jail vehicles should be met with these funds.

For FY16, the County will be creating a capital reserve fund in the amount of two hundred seventy five thousand (275,000) dollars. This fund will be available for future County facility needs. In the coming years, numerous large capital projects will be undertaken, including renovations to the 1921 Courthouse and to address parking issues around the County and Court buildings.

#### **VI. Economic Development and Investment:**

During FY15 the County stopped appropriations to the non-profit 501(c)(3) Montgomery County Economic Development Corporation. The decision was made to create an Economic Development Director position within County government. The goal was to unite the efforts of the County to promote development and business retention/recruitment.

The County has recently worked on two expansion projects with the NC Department of Commerce. One was an industrial expansion project which earned a two hundred thousand (200,000) dollar state grant. The other project was in the service sector and is under review from Commerce for an additional state award.

The County also completed work on a three and one-half (3.5) million dollar grant from Golden LEAF in FY15. This grant paid for, among other capital, the equipment for yogurt processing at Carolina Dairy. New job creation at the Biscoe plant reached fifty jobs (50) from October 2014 to March 2015. This project has yielded the highest job creation in recent years.

#### **VII. Education:**

The proposed FY16 budget increases funding for both the current, unrestricted allocations and the restricted capital facilities allocations to Montgomery County Public Schools and Montgomery Community College. The County is also sponsoring a new Golden LEAF grant proposal to fund facility needs at the College, which would require a County match from fund balance.

While County funding for educational capital needs has increased considerably over the last couple of years, the funds being allocated are not nearly enough to meet facility needs. An inspection of existing facilities, which range in age from 1938 to 1992 (with the exception of Greenridge Elementary constructed in 2009) shows the serious need for renovations.

Population shifts in the County also have contributed to the need for larger facilities in some areas. There is also a serious need to provide vocational training facilities and equipment to prepare graduates with job ready skills.

In terms of economic development, quality education and a skilled workforce are primary concerns of businesses--those employers already in the County and for prospective employers looking to locate in Montgomery County. Quality education is also a motivating factor for attracting and retaining residential households with school aged children.

Many management level employees working in the County, both public and private, live outside of Montgomery and commute for work. There are many reasons for this trend. Inferior educational opportunities may be one.

Realizing the importance of education, a joint task force from the Board of Education, the College Trustees, and the County Board of Commissioners was formed for the challenge of creating short term and long term improvement plans. Adding significantly to the task at hand, the Committee labors under the confines of what the County can afford to expend on education.

While the planning and development of proposals will continue, included in the Proposed Budget Ordinance for FY16 is an Educational Capital Fund Reserve. As stated previously, the College Trustees and the Board of Education passed resolutions asking the County Commissioners to create this fund.

The request from the public school system and the College was for the Board of Commissioners to follow the recommendations outlined by the joint committee, which had studied the impact of revenue generated from a five (5) cents tax increase. The joint task force considered immediate debt issuance to meet facility needs, as well as staged projects based on pay-as-you-go financing with increased revenues resulting from a tax increase. Of the options evaluated, the five (5) cent increase proved least burdensome on taxpayers while meeting the educational needs.

The Educational Capital Reserve Fund will be restricted for capital use and may not be diverted in the future to meet current expenses. If adopted at five (5) cents, the collections from one (1) cent of the additional tax would be directed toward the upkeep of existing facilities. Four (4) cents would be utilized toward the adopted plans for educational improvements.

## **VIII. Employee Benefits and Salary and Position Schedule:**

After much lobbying, the County of Montgomery was accepted into the State Employees Health Plan (SHP) effective January 1, 2015. The significance of this inclusion cannot be overstated.

The County had been struggling for years with high loss ratios, escalating premiums, and reduced benefit packages for employees. The SHP brings fiscal stability to what had been a struggle to direct funds toward annual rate increases between fifteen and thirty (15-30) percent. The Plan costs the County one hundred fifty thousand (150,000) dollars less. It also provides enhanced benefits for employees and their spouses/dependents. Employee turnover has dropped significantly since the implementation of the SHP.

The County Salary and Position Schedule follows. This schedule is a continuation of work from the last several years as the County strives to bring equity to employment positions and to provide career opportunities for employees. The positions are ranked in order of the scope and skill required. The rankings accurately reflect similar position rankings amongst counties state-wide.

While many employee salaries do not fall into these ranges, the salary and position schedule is a working model used to make adjustments as funding allows. The County started making adjustments three years ago toward this model. The emphasis was first directed to the lowest paid employees, all of whom now fall into their respective ranges.

Funding for this model has come mainly from employee attrition. Under the old County step and grade schedule, tenured workers had higher salaries. As these workers leave or retire, funds are available to adjust salaries for workers who fall below the stated ranges. Additionally, this year's budget has fewer employee positions than years previous. Departments continue to streamline services and through employee attrition, job duties are evaluated and consolidation is implemented whenever and wherever possible.

As a result of decreasing the number of funded positions and salary redistribution, the County budget adjusts thirty-four (34) employee salaries in FY16, moving them into range or closer to the range. In FY15, the County was able to adjust seventy (70) salaries.

To address cost of living increases, the County will provide for all other employees (those not receiving pay increases) a December bonus of seven hundred fifty (750) dollars. This holiday bonus will be paid to all employees employed by the County on or before June 30, 2015 who were not otherwise compensated by a pay adjustment on or after July 1.

Grade	Title	Departments	Salary Range
1	Housekeeper I	Housekeeping	\$21,000-\$24,000
	Library Asst. I	Library	\$21,000-\$24,000
2	DSS Level I / Health Level I	DSS & Health	\$22,000-\$25,000
	Office Asst. I	Tax, Deeds, Soil & Water	\$22,000-\$25,000
3	Office Asst. II	Elections, Tax, Deeds, Inspections, EH, Sheriff	\$24,000-\$27,000
	Library Asst. II	Library	\$24,000-\$27,000
	Detention Officer I	Jail	\$24,000-\$27,000
	Public Utility Worker I	Public Utilities	\$24,000-\$27,000
	Animal Control I	Animal Control	\$24,000-\$27,000
	Housekeeper II	Housekeeping	\$24,000-\$27,000
4	DSS Level II	DSS	\$28,000-\$31,000
	Water Plant Operator I	Public Utilities	\$28,000-\$31,000
	Deputy I	Sheriff	\$28,000-\$31,000
	Detective I	Sheriff	\$28,000-\$31,000
	Telecommunicator I	Emergency Management	\$28,000-\$31,000
	Office Asst. III	Sheriff	\$28,000-\$31,000
	Detention Officer II	Jail	\$28,000-\$31,000
	Public Utility Worker II	Public Utilities	\$28,000-\$31,000
	Facilities Worker I	Facilities	\$28,000-\$31,000
	Finance Technician I	Finance	\$28,000-\$31,000
	Housekeeping Supervisor	Housekeeping	\$28,000-\$31,000
5	Health Level II	Health	\$32,000-\$35,000
	Deputy II	Sheriff	\$32,000-\$35,000
	Detective II	Sheriff	\$32,000-\$35,000
	Office Asst. III	Sheriff, Public Utilities	\$32,000-\$35,000
	DSS Support Supervisor	DSS	\$32,000-\$35,000
	Telecommunicator II	Emergency Management	\$32,000-\$35,000
	Library Supervisor	Library	\$32,000-\$35,000
	Water Plant Operator II	Public Utilities	\$32,000-\$35,000
	Public Utility Worker III	Public Utilities	\$32,000-\$35,000
	Detention Officer III	Jail	\$32,000-\$35,000
	Soil and Water Supervisor	Soil and Water	\$32,000-\$35,000
	Finance Technician II	Finance	\$32,000-\$35,000
	I.T. System Administrator	IT	\$32,000-\$35,000
6	Asst to Manager/Office Asst.	Administration	\$34,000-\$38,000
	Health III	Health	\$34,000-\$38,000
	Animal Control Supervisor	Animal Control	\$34,000-\$38,000
	911 Supervisor	Emergency Management	\$34,000-\$38,000
	Tax GIS Mapping	Tax	\$34,000-\$38,000
	Water Plant Operator III	Public Utilities	\$34,000-\$38,000
	Detective III	Sheriff	\$34,000-\$38,000
	Deputy III	Sheriff	\$34,000-\$38,000
7	Elections Director	Elections	\$38,000-\$44,000
	Building Inspector II	Inspections	\$38,000-\$44,000
	Health Level IV	Health	\$38,000-\$44,000
	EH Inspector	Health	\$38,000-\$44,000



	DSS Level III	DSS	\$38,000-\$44,000
8	DSS Level IV	DSS	\$41,000-\$45,000
	Tax Assessor	Tax	\$41,000-\$45,000
	911 Addressing/EM II	Emergency Management	\$41,000-\$45,000
	Health Level V	Health	\$41,000-\$45,000
	Public Utility Supervisor	Public Utilities	\$41,000-\$45,000
	Jail Administrator	Jail	\$41,000-\$45,000
9	DSS Unit Supervisor I	DSS	\$45,000-\$50,000
	Health VI	Health	\$45,000-\$50,000
	Chief Deputy	Sheriff	\$45,000-\$50,000
10	Facilities Director	Facilities	\$50,000-\$55,000
	Planner	Planning/Zoning	\$50,000-\$55,000
	HR Director	Human Resources	\$50,000-\$55,000
	Accountant	Finance	\$50,000-\$55,000
	EM Director	Emergency Management	\$50,000-\$55,000
	Water Plant Supervisor	Public Utilities	\$50,000-\$54,000
	Register of Deeds	Office of Register of Deeds	\$50,000-\$55,000
11	DSS Unit Super APS, CPS	DSS	\$55,000-\$62,000
	Tax Administrator	Tax	\$55,000-\$62,000
	Chief Inspector	Inspections	\$55,000-\$62,000
	EH Director	Health	\$55,000-\$62,000
12	DSS Deputy Director	DSS	\$60,000-\$67,000
	IT Director	IT	\$60,000-\$67,000
	Econ Development Director	Administration	\$60,000-\$67,000
	Health Clinic Supervisor	Health	\$60,000-\$67,000
	Sheriff	Sheriff	\$60,000-\$67,000
13	Health Director	Health	\$65,000-\$75,000
	Public Utilities Director	Public Utilities	\$65,000-\$75,000
14	DSS Director	DSS	\$75,000-\$90,000
	Finance Director	Finance	\$75,000-\$90,000

## IX. Enterprise Funds:

Water rates for the upcoming year will remain unchanged. Water usage has stabilized, but consumption remains half of what it was in the early 1990's. It is not foreseeable, in the near future at least, that consumption will return to those previous levels. As such, it has become a struggle to plan for system maintenance, repair and replacement.

Recognizing the importance of the utility system, both as infrastructure for economic development and for residential growth, the Board of Commissioners appointed a sub-committee in FY15 to work with staff to address the long term needs of the system. The

options being considered by the sub-committee include an availability fee for non-users who have access to the system, as well as rate increases.

For FY16, six hundred fifty thousand (650,000) dollars will be allocated to capital improvements from the sale of water. This allocation will fund new infrastructure projects. This level of funding, while significant, is not adequate to keep pace with the depreciation and overall upkeep of a system valued at eighty million (80,000,000) dollars.

The ongoing water plant project to handle alum sludge processing will be completed early in the new fiscal year. The completion of this project will be the third major project undertaken at the plant over the last two years. Additionally, the in-progress Biscoe meter vault replacement project will be completed in FY16, along with the SCADA system upgrade which is a concurrent project.

The low pressure situation on Correll Road, which resulted in a suspension of any new customers being added to that service line, should be completed in FY16. This project has been engineered and will not only improve pressure along Correll Road but will improve the functionality of the transmission system along the Hwy 109 corridor.

Repairs to the fluoridation system will result in fluoride being reintroduced to the system. The system was inspected by the Clean Water Division on May 13, 2015 and should soon be aiding the reduction of cavities in water customers.

Upgrades to the chemical feed system will also be well underway by the end of the upcoming fiscal year. The GIS mapping project will also be launched.

#### **X. Fire Districts:**

The County has ten volunteer fire departments which are supported in part by the county-wide dedication of two (2) cents from the ad valorem tax. The County tax provides each department, on a rotating basis, with two County owned fire trucks. One truck is purchased each year, so each department has at least one truck no older than ten years.

The two (2) cent allocation also provides additional funds for the upkeep of the County owned trucks. For the upcoming fiscal year, the allocation to each department for upkeep expense is projected to be seventeen thousand, five hundred (17,500) dollars.

Of the ten county departments, two are in districts with an additional fire tax (Badin Lake and Lake Tillery). Each of these Districts are governed by a Board of Commissioners, and in accordance with general statute have held a public hearing on their proposed FY16 budget.

The Montgomery County Board of Commissioners serve as the Badin Lake Fire Commission. At the public hearing held in March 2015, the Commission recommended a reduction of the fire tax from six (6) cents to five and one-half (5.5) cents. The levy will yield four hundred three

thousand, twenty three (403,023) dollars in current year property and DMV taxes. Including the County volunteer fire allocation and prior year tax collections, the levy is expected to yield four hundred thirty six thousand, six hundred forty-four (436,644) dollars to the Badin Lake Fire Department.

The Lake Tillery Fire Commission presented a budget to County finance requesting a continuation of the four (4) cent fire tax, which was reduced in 2013 from five (5) cent. The total levy, including the County allocation, will be an estimated two hundred fifteen thousand, four hundred thirty-one (215,431) dollars.

#### **XI. Conclusion:**

Montgomery County is a picturesque rural county with the Uwharrie National Forest and the western boundary lakes. It also benefits from North-South accessibility to the Triad and beyond via Interstate I-73/74.

Montgomery County also has one of the highest per capita increases in the poverty rate, one of the highest per capita teen pregnancy rates, one of the highest per capita obesity rates, a high per capita percentage of residents over the age of sixty-five, dwindling per capita household incomes, and an overall decline in the County population.

Many challenges lie ahead. Improving the quality of the education in the County and raising the expectations for success is imperative. I am proud that the emphasis of this budget is aimed toward that goal.

I am privileged to serve as the Montgomery County manager. Many thanks to all of my coworkers - I am proud of what we do.

Respectfully,



Matthew M. Woodard