



COUNTY MANAGERS BUDGET MESSAGE FY 2016-2017

June 21, 2016

To the Cleveland County Board of Commissioners:

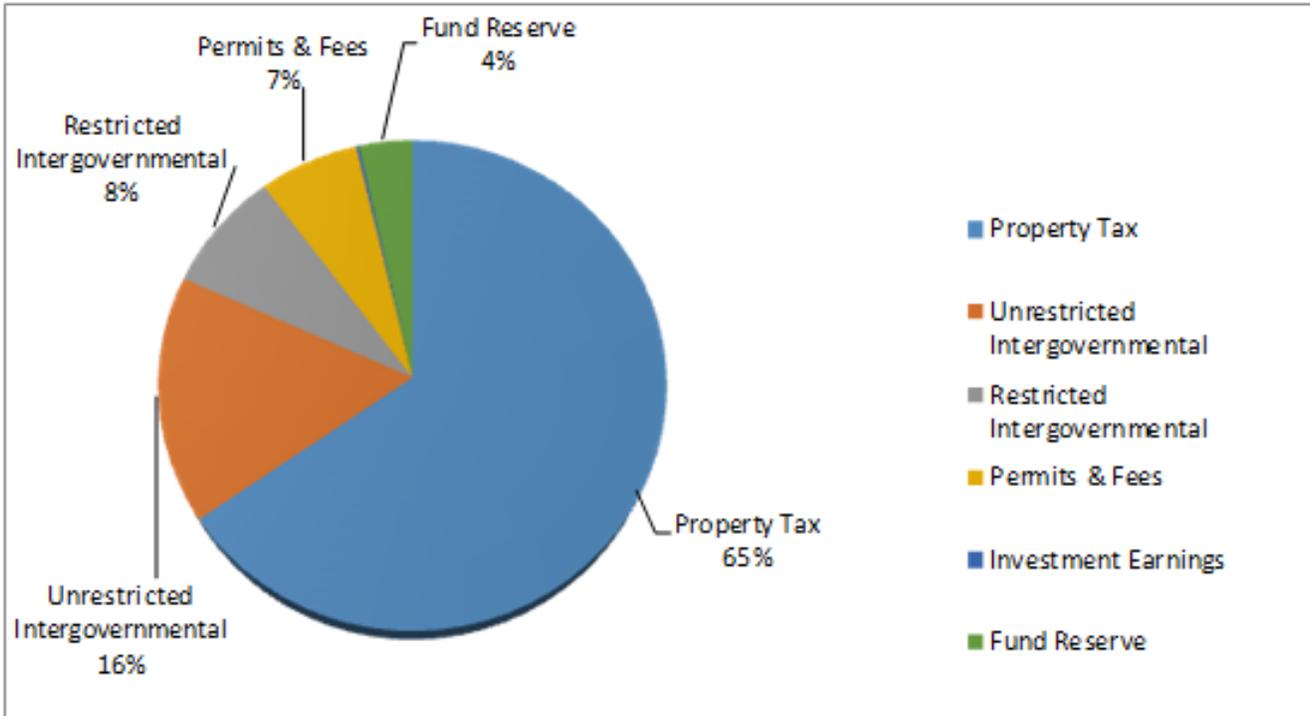
It is my privilege to present the proposed fiscal year 2016-2017 budget for Cleveland County. The budget has been prepared in accordance with the North Carolina Local Government Budget and Fiscal Control Act and General Statute 153A-82. The budget was developed under the guidance of the strategic goals and priorities set by the Cleveland County Board of County Commissioners.

GENERAL FUND BUDGET

In 2016, Cleveland County completed a mandatory revaluation of all real property for the first time in eight years. Revaluation reflected a decrease in assessed value of 5.8%. With 2.2% natural growth, the county projected tax base is \$7,948,048,617, a net decrease of 3.6% in assessed value for FY 2016-17. Cleveland County has continued to experience significant sales tax growth over the past several years due to continued Economic Development Industry growth and a continued uptick in retail sales activity. In the proposed 2016-2017 budget, Cleveland County anticipates substantial growth in sales tax revenue due to state legislation changes which are expected to yield an additional \$900,000 of County operational revenue.

In preparation of revaluation, a Board Strategic Goal for several years has been, **“Focus on 2016 county-wide revaluation with a goal of stabilizing tax rate/base to avoid budgetary shortfall.”** The Board of Commissioners was able to accomplish this goal through aggressive industry recruitment, additional sales tax revenues, cost saving measures and reduction in debt service. This budget is balanced with a flat property tax rate of 57 cents per \$100 of property valuation, which equates to a 2 cent tax cut for the General Fund.

Cleveland County Revenues FY 2016-2017 Primary Fund by Source



VOLUNTEER FIRE SERVICE DISTRICTS

A top priority for County Commissioners in FY 2016-17 is, **“Maintain Support for County Volunteer Fire Departments and explore additional ways to increase county assistance.”** The County Fire Service District’s tax rate will remain the same with a tax rate of 5 cents per \$100 of property valuation for all county fire districts. In FY 15-16, a Cleveland County Fire 2020 Strategic Plan Peer Review Report was completed, led by the Office of State Fire Marshall. Eighteen recommendations were identified. In FY 16-17, the County will work with all county fire service providers to evaluate, prioritize and create an action plan for the recommendations. Commissioners are committed to ensuring volunteer department needs are met in order to continue to provide the highest quality fire service available to our citizens.

PUBLIC SCHOOLS

The county allocation to Cleveland County Schools totals \$28,361,894. The per-pupil funding for FY 16-17 will remain the same at \$1,890. Capital outlay will be \$2,850,000, which is an increase of \$150,000 from last fiscal year. Just like the County's General Fund Budget, the County Schools experienced a net decrease of 3.6% in value. The County Schools tax rate will remain flat at 15 cents per \$100 of property valuation. The loss in property tax revenue is accounted for with sales tax growth and distribution.

FY 2016-2017 Public School Funding

	<u>2014-2015</u>	<u>2015-16</u>	<u>2016-17</u>
Property Tax Allotment	\$ 11,874,931	\$ 12,202,529	\$ 11,803,029
County Allotment	9,900,000	9,900,000	9,900,000
Capital Allotment from County Funding	2,400,000	2,700,000	2,850,000
Sales & Use Tax	3,015,884	3,450,500	3,700,000
Additional Expenditures on behalf of Board of Education	<u>123,142</u>	<u>123,142</u>	<u>123,142</u>
A.D.M.(+)	<u>15,101</u>	<u>15,010</u>	<u>15,010</u>
Local Per Pupil including sales tax	\$ 1,809	\$ 1,890	\$ 1,890

COMMISSIONERS STRATEGIC GOALS

During the budget process, resources were allocated based on the top priorities and vision of the Board of County Commissioners Strategic Goals and Focus Areas. After top priorities were established, the remaining strategic goals are broken down under four focus areas; Economic Development, Public Safety, Community Education & Customer Service Outreach, and Fiscal Sustainability.

TOP PRIORITIES

For the second year in a row, Commissioner's number one priority in the FY 16-17 budget was for staff to, **"Create a sustainable Cleveland County Employee Pay Plan."** This budget includes the following pay strategy for county employees:

- ½ Step Pay Adjustment (full time employees > 1 Year Tenure)
- 1.6% Cost of Living Adjustment (all employees)

Employee benefit enhancements include:

- An increase in Health Savings Account dollars of \$100 for non-smokers and those employees who participate and complete a smoking cessation program.
- Fitbit Wellness Program- Employees offered discounted rates and payment through payroll deduction for purchase of Fitbits.

Last year, the county launched a College Tuition Reimbursement Program. In FY 15-16, ten county employees participated in this program. Funding for the College Tuition Reimbursement Program will continue in FY 16-17. The county will also continue with the corporate wellness partnership with the YMCA, which affords employees heavy discounted memberships and also manages the County's Diabetes Prevention Program.

Another top priority for the FY 16-17 budget is to, **“Create and implement a Small Business Incentive Program in an effort to encourage small business growth in Cleveland County”**. In March, 2016, Commissioners approved the Small Business Investment Grant Program to encourage small businesses to invest and expand in Cleveland County. Grants may be awarded to businesses in Cleveland County that create a net new taxable investment between \$100,000 and \$500,000. The first grants will be distributed in FY 16-17.

FOCUS AREA: ECONOMIC DEVELOPMENT

Cleveland County continues to see the importance of Economic Development and the recruitment of new industry to Cleveland County. The county will fund the Cleveland County Economic Development Partnership at \$163,693 for next budget year. The current unemployment rate in Cleveland County is 6%. Cleveland County will continue to focus on creating a skilled workforce by committing \$45,000 in funding for a scholarship program through Cleveland Community College, which focuses on Machining and Robotics. Graduates of these programs will have the skills needed to better compete for these Advanced Manufacturing Positions.

FOCUS AREA: PUBLIC SAFETY

Commissioners are committed to providing excellent public safety to county citizens. In addition to the progression of the Volunteer Fire Department Strategic Plan, the County will fund a full-time Law Enforcement Officer at the newly created Health and Human Services Campus. The Health and Human Services campus is home to the Department of Social Services, the Public Health Center and Partners

Behavioral Health, also known as the Ollie Harris Behavioral Health Center. More than half of the county's workforce is housed on this campus and an average of 600 citizens visit the campus each day.

FOCUS AREA: COMMUNITY EDUCATION AND CUSTOMER SERVICE OUTREACH

A \$60,000 allocation has been rolled over from FY 15-16 budget for a County Marketing Program. The County will continue providing citizens with the *Cleveland County Connection*, a semi-annual directory for citizens which outlines the services offered by the County. As part of the Marketing Program, the County will be asking citizens for input towards re-creation of the Cleveland County brand and logo.

FY 16-17 will be the first full year of operation of The Foothills Public Shooting Complex of Cleveland County. The budget reflects an appropriation of \$250,000 to include staffing and other associated operating costs. Modest revenue projections of \$50,000 have been included in the budget for a net operating subsidy of \$200,000. This 82 acre public recreational and training facility will be the largest of its kind in the Carolinas. Two months of operational data confirms this facility will increase regional travel and tourism traffic to the Cleveland County area.

FOCUS AREA: FISCAL SUSTAINABILITY

When I began with Cleveland County in 2013, the County's fund balance was 14.6%. It has been a continued goal of the County Commissioners to increase the County's Fund Balance to between 18-20%. For the third year in a row, Cleveland County's fund balance percentage will show positive growth and is projected to be approximately 18.6% going into the FY 16-17 budget year.

Rolled over from last year's budget, I have included \$75,000 for a Facilities Master Plan. The purpose of this plan will be to examine all buildings and properties owned by Cleveland County and develop a long-range strategy that will guide the future infrastructure needs of county residents. The plan will look at the life of older county buildings to help plan for future capital needs and include development of a real estate management plan for the property the County currently owns.

COUNTY DEPARTMENT OPERATIONS HIGHLIGHTS

The overall appropriation of county funding in the *Department of Social Services* has decreased in excess of \$400,000 for the second year in a row. This has been achieved due to full implementation of NCFAS, along with more intense multi-year budget planning and fiscal management. Cleveland County Department of Social Services continues to be a pilot program and one of the top performing counties for NCFAS implementation across the State.

The **Health Department** budget reflects a total county appropriation of \$3,600,947. A goal of Cleveland County Commissioners is to **“Identify cost savings associated with the creation of a Health and Human Services Campus.”** Cleveland County was able to identify \$130,000 in cost saving re-engineering in the FY 16-17 budget. These savings were possible through the opening of the Public Health Center on a shared campus with the Department of Social Services.

The **Emergency Medical Services (EMS) Department** budget for FY 16-17 is \$6,114,149. In the FY 16-17, Cleveland County will create a Central Collections Division which will manage EMS billing internally, rather than through a contracted agency. This re-engineering idea, over time, is projected to create \$450,000 in budget flexibility for Cleveland County, while at the same time provide better service for our citizens. The purchase of two ambulances is also included in the FY 16-17 budget.

The **Sheriff’s Office** budget reflects a total appropriation of \$12,643,057. Included in this budget is the addition of 13 new Sheriff’s vehicles to replace current high mileage vehicles. Mid- year FY 15-16, Cleveland County added two deputy positions in the Sheriff’s Patrol Division, these positions will remain in FY 16-17 bringing the total number of new Sheriff Deputy positions to twelve (12) over a three year period. The increase in operational Patrol staffing has improved public safety response time throughout the County, which enhances the department’s ability to serve the citizens of this county.

As of July 1, 2016, state law requires all counties to provide a back-up site for the **911 Communications Center** should the primary location require evacuation or experience an event that disables the call center. The City of Shelby will serve as the back-up location for Cleveland County through a Memorandum of Understanding between the City and Cleveland County. Included in the FY 16-17 budget is \$30,000 in radio components required to bring the back-up location online.

The **Human Resources Department** continues to work to support an atmosphere that promotes Employee Wellness. Across the country, employers are seeing an average of 20% rate increases for Health Insurance. Included in the budget is a modest 4% increase in the County’s health insurance. This remarkably low rate increase is due to the commitment of our employees to wellness through programs such as health coaching, pre-diabetes classes, nutrition counseling and the Cleveland Cup.

Capital Projects

This budget addresses several capital projects which are in addition to those included in the Strategic Goals. These projects are summarized as follows:

- Airport Partnership- Cleveland County will continue the successful partnership with the City of Shelby by earmarking \$50,000 in the budget for capital projects needed at the airport.
- District Attorney's Office Relocation- the District Attorney's office is expected to move into its new location at 314 East Marion Street in the fall, 2016. This relocation should extend the life of the Law Enforcement Center. Included in this budget is \$218,000 for renovations and \$30,000 for equipment to complete the project.
- In the budget, I have included \$581,196 for future capital projects. This allocation is the second year of a multi-year approach to put the county in a better financial position to complete several capital projects in the near future. Also, in preparation for these capital projects and operational long-term planning, the County sought a credit rating review from Standard & Poor's and Moody's and received a two-step credit rating increase from both agencies.

Conclusion

County staff entered FY 16-17's budgetary process with clear direction from the County Commission: **"Focus on 2016 County-wide revaluation with a goal of stabilizing tax rate/base to avoid budgetary shortfall."** The 2016-17 proposed budget continues existing service levels while striving for a more balanced long-term financial foundation.

Cleveland County has continued in a recent period of consistent tax base growth. To that end, the County Commission and staff made the right decision in early 2013 to conduct the revaluation process at the end of the eight year state mandated time frame. This gave additional time for Cleveland County's economy to rebound from the devastating national recession experienced through much of the last decade. Over the last five years, Cleveland County's assessed value tax base has grown by an average of 4.34%, respectfully. Aggressive industry recruitment, managed through the County's Economic Development Partnership, has been the catalyst driver for this sustained tax base growth.

That said, 2016's county-wide revaluation resulted in a modest 3.6% net downward adjustment of all property values across the County, on average. Some areas of Cleveland County grew net tax base value during this eight year timeframe, while other taxing areas dropped as much as 7-8%. This budget reduces the County's reliance on property taxes by absorbing the 3.6% assessed tax value reduction.

Because of the uncertainties brought on by county-wide revaluation, multi-year financial planning was critical for the County to strategically balance this FY 16-17 budget, and maintain positive momentum in the County's Strategic Plan Focus Areas. For example, unreserved fund balance has grown by approximately \$4 million dollars over the past three years. The County Commission's resolve to grow

fund balance to a minimum level of 18% has increased the County's ability to insure for the continued needs of county citizens across budget years, recognizing the effect of revaluation and the continual ebb and flow of the state and national economy.

County staff has planned, prioritized, and worked cross-departmentally to ensure the budget for fiscal year 2016-17 includes the efficient use of resources while continuing current service levels. Total managed savings included in next FY budget is approximately \$600,000.

In addition to financially managing through revaluation, during the heart of this year's budget process, the following was also completed:

- The County opened its new Health and Human Services Campus, co-locating Public Health, Behavioral Health, and Social Services all within walking distance for all county citizens to more readily access. This campus now includes a newly completed 110,000 square foot state of the art Public Health/Behavioral Health Center. This building was completed for approximately \$166 per square foot, which is extremely competitive in today's construction economy.
- The County opened its new 82-acre Foothills Public Shooting Complex of Cleveland County. This complex was completed through the County's partnership with the North Carolina Wildlife Resources Commission. This recreational and training facility is the largest of its kind in the Carolinas and offers a wide array of unique gun and bow recreational shooting opportunities, as well as gun safety and certification training for citizens of all ages.
- The Cleveland County Fire 2020 Strategic Plan Peer Review Report was completed, to guide the County as a five to seven-year Strategic Plan for all volunteer fire departments serving the citizens of Cleveland County. Cleveland County is the very first county in the State of North Carolina to engage the Office of the State Fire Marshal to facilitate such a strategic planning process utilizing a group of skilled, experienced subject matter experts in a peer review team format.

These projects, when considered in tandem with the financial challenges presented from the 2016 tax revaluation, stretched county staff's capacity. I am appreciative of the County Commission's disciplined commitment to the Strategic Plan (multi-year planning and priority-setting process). Without this clear direction and vision from the Board, Cleveland County Government would not have been able to accomplish as much as we did, with so much of the final close-out work occurring over the past six month period.

A multi-year prioritized commitment from our Board to our workforce continues to pay dividends with the results noted above. The County Commission's actions recognizing the work and efforts of our county workforce is greatly appreciated. Our organization's morale has been positively affected by your commitment and our community has benefited from this in the county's day to day operational delivery of county services. FY 2016-17 will provide significant internal challenges, as staff continues to evaluate service and staffing design and additional cost-savings opportunities, all with a dedicated approach to doing more with less, and saving taxpayer dollars wherever possible. Employee training will continue to be a high priority at all levels of the organization, as well as continued development of meaningful performance measurements, accountability, and standards. County Administration is committed to building strong teams with the talent and focus needed to continue to deliver positive impact to the citizens of Cleveland County.

Finally, I express my sincere thanks to the hardworking county staff and especially the Tax and Finance Department teams for their sustained effort during this past year to help position the County favorably for the coming fiscal year and the challenges that lie ahead.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Jeff B. Richardson", written in a cursive style.

Jeffrey B. Richardson
County Manager