



## **2006-2007 Proposed Budget Message**

TO: The Board of County Commissioners  
Randolph County, North Carolina

In accordance with the Local Government Budget and Fiscal Control Act, the proposed budget for Randolph County for the fiscal year beginning July 1, 2006 and ending June 30, 2007 is presented herewith for your consideration. The law specifies that the budget ordinance be adopted by July 1, 2006.

This is the first budget for Randolph County since 1978 that hasn't been prepared by former County Manager Frank Willis. We appreciate his strong leadership over the years and his advocacy for the taxpayers of Randolph County. His experience will be missed, but he has left the County in very good fiscal strength. Through the Board's leadership, Randolph County will always try to maintain a realistic balance between the need for services and our citizens' ability to pay for them.

### **Economic Factors**

On the national level, economists are interpreting the current indicators as evidence that we are in the mid-point of the business cycle, with a recovery from the low point of 2001-02; but there are signs of inflation and slowdowns in certain areas such as housing and consumer spending. Our area has been hard hit with manufacturing job losses for several years, and for many of our citizens, it doesn't feel like a recovery. Yet, even during the last couple of years of manufacturing job loss, the County's unemployment rate has stayed slightly below the statewide average. It is currently 4.2% compared to the state average of 4.5%.

As we discussed last year, the reality of our economic situation requires that we work more aggressively to ensure that we have a diverse and stable economy. As a result, last year the Randolph County Board of Commissioners worked with the Randolph County Economic Development Corporation and began a four-year Economic Development Program. The County intends to budget a one-cent increase in the property tax rate for those four years, dedicated for infrastructure, site development, and incentives.

Several incentives have been awarded as part of the Economic Development Program. The County continues to see a strong commitment from existing industries to expand current operations. Projects at Timkin, Starpet, and Hubbell Industrial Controls will result in 240 new jobs and \$76.5 million in investment. The County is assisting with \$25,000 for another project administered by the City of Archdale. This multi-grant project will install sewer service to a facility for United Furniture Industries, creating 83 new jobs. It will also open up an 800-acre basin for sewer service, thereby improving the infrastructure in the area.

The other emphasis in the Economic Development plan was the need for developed commercial and industrial sites with infrastructure already available. Randolph County has not been especially competitive in recruitment of new industry, often not making the first cut despite a good transportation network, low taxes, and other factors. Over the next few years, we hope to offer locations ready to go. The Randolph County Economic Development Corporation and the Randolph County Development Corporation have established the criteria for site selection and development. A special advisory committee has been appointed to evaluate potential sites; recommendations should be made by the end of summer.

### **Recent Budget Trends**

Medicaid - Randolph County, like other counties, has had a hard time keeping up with the increased cost of the Medicaid program. Medicaid is a federally mandated entitlement program to provide medical coverage to individuals with low income, without limitation on the number of persons who qualify. The Federal government requires each state to pay a portion of their program costs. North Carolina is the only state which currently passes a portion of these costs on to county governments. Despite the efforts of the past year, led by the N.C. Association of County Commissioners, the N.C. Legislature has yet to grant relief to counties for the burden of Medicaid.

The costs of this program have grown over an average of 11% over the past ten years as medical costs grow and more people qualify. A tax increase was necessary in 2005-06 to cover a significant rise in our share of Medicaid. Fortunately, the County's projected share of 2006-07 Medicaid costs is flat, meaning no additional financial resources need to be diverted to this area.

Appropriated Fund Balance - For many years, the Board of Commissioners has depended on appropriations of fund balance to budget certain critical needs, especially additional funding for public schools. We have been extremely fortunate to avoid actually using fund balance to pay for these additional expenditures. Every year, we have experienced stronger than expected revenue growth, received unusual special one-time monies, and have under-spent expenditures to a level sufficient to offset the appropriations of fund balance. We hope to end the current year favorably as well.

However, any return to a poor economy could severely weaken the financial stability of the County. To correct this budget imbalance, we will either have to a) forgo additional expenditures and use future revenue growth to reduce appropriated fund balance, b) increase the tax rate to generate additional revenues, or c) cut substantial expenditures from the existing budget.

## Priorities

The 2006-07 Proposed Budget remains primarily a conservative financial plan for most departments, maintaining most services at current levels. In legal terms, this plan complies with statutory requirements and our responsibilities as County government. In policy terms, this fiscal plan fulfills commitments made by the Board of County Commissioners and the County government on behalf of our residents, our businesses, and our County employees. In fiscal terms, the budget maintains the County's strong financial condition while accomplishing much.

The Proposed General Fund budget was developed under the following policy goals:

- Providing a safe community for all Randolph County citizens
- Ensuring the health and welfare of all Randolph county citizens
- Improving the standard of living for Randolph County citizens through educational opportunities and economic development
- Protecting the environment and the quality of life enjoyed by Randolph County citizens
- Investing in electronic technology for the efficient facilitation of County business
- Providing for the recreational and cultural needs of the community
- Maintaining prompt, courteous, and professional services from all County employees
- Ensuring the financial stability and legal protection of the County

As always, our budget is based on the assumption that resources are limited and that continued focus is necessary to prioritize funding where it will do the most good. Specifically for 2006-07, the following budget priorities were established:

- Funding a pay plan adjustment for our employees to keep from falling further behind market compensation levels.
- Maintaining financial support for public school operating and capital needs.
- Implementing the strategy to improve the County's competitiveness in economic development activities.
- Sustaining programs directed at protecting the quality of life in the community.
- Ensuring existing County programs and services receive adequate support.
- Increasing funds to cover rising energy and fuel costs.
- Promoting efficiency and effectiveness in County services.
- Avoiding new program commitments.

### Employee Compensation

In February, 2006, the Sheriff raised the issue of employee compensation for deputies. His request for a 10% pay raise for sworn officers was a result of losing several employees to higher paying jobs elsewhere. This continues to be a problem for other departments as well. In March, the Board of Commissioners instructed Personnel Director Kim Newsom to present salary proposals based on market comparisons, as part of the budget process.

In his report, the benchmark classes tracked by the Personnel Office indicate that our minimum salaries trail the market by approximately six percent. A number of governments, including the State, are proposing to adjust compensation levels significantly. We will likely fall further behind unless we consider a market adjustment in addition to the annual pay plan adjustment.

Our turnover rate has remained around eleven percent for the past four years. Combined with a recent number of retirements, this is a large drain on our level of experience and knowledge.

The Personnel Director’s Proposal recommends a 3.4 % Cost of Living Adjustment, a 3% Market Plan Adjustment, Sheriff’s Office Merit Funds of \$30,000, and initiation of a 1% 401-K contribution for non-sworn employees. All these recommendations were submitted to enhance our competitiveness when attracting and retaining qualified employees.

Although not all these recommendations can be included in the Proposed Budget, a substantial amount of resources are devoted toward this issue. A one percent increase in the pay plan, based on the positions in the Proposed Budget, equals \$258,245. Although most other governments offer a 401-K plan for all employees, the resources available to us this year were directed towards direct compensation.

The Sheriff’s Office currently receives around \$15,000 in merit; the proposal to create a separate merit pool would double his ability to reward critical staff in his department. This, together with any pay plan and market adjustments, would address some of the retention issues which concern the Sheriff. The Law Enforcement Separation Allowance is an additional retirement plan for sworn officers. We are currently contributing \$10,000; however, retirees are currently being paid nearly \$30,000. Therefore, additional funding will be necessary in the coming years.

The Proposed Budget includes the following, reported in Contingency:

3.0 % Cost of Living Adjustment	\$ 774,735
2.0 % Market Plan Adjustment	516,490
Sheriff’s Office Merit Funds	30,000
Increase contribution to Separation Allowance	20,000
Total	\$ 1,341,225

School Construction

In their continuing support of our schools systems, the Board of Commissioners has approved the construction of two new high schools and renovation of an existing elementary school. These projects are included in the Capital Improvement Plan section of the budget document. Debt for these projects is expected to be issued in August 2006 and July 2007. The first debt issue will require interest payments during the upcoming 2006-07 fiscal year, estimated at \$850,000.

The total for these new projects is approximately \$76 million. Randolph County currently owes \$85,455,071, of which \$67,562,408 (79%) is for public schools built over the past fifteen years. Obviously, these new projects will have an impact on the County’s budget for years to come, both as principal and interest payments and operating costs for the new facilities.

Under current law, any new lottery proceeds will not be available to us until the General Assembly appropriates it; since this has not happened, nothing is budgeted yet. Projected revenues would amount to approximately \$1.4 million for the Randolph County Schools and \$300,000 for the Asheboro City Schools.

### Water Resources

Randolph County has completed its share of payments to the Piedmont Triad Regional Water Authority for the construction of the Randleman Dam, certain water distribution lines, and related costs. We now have a water source to meet future needs throughout the County, in addition to the sources available to municipalities. The Commissioners will soon be discussing a strategy to distribute water to various regions of the County, in an initiative which will bring the needed development of infrastructure.

Beginning this year, we will be responsible for our share of operating costs of the Authority, including debt service on a State Revolving Loan. It also includes a water quality monitoring program, lake security personnel, and construction of the boat access. These costs are estimated to be \$340,181 for 2006-07.

## **THE 2006-2007 PROPOSED BUDGET**

### **General Fund**

Although there are several bills under consideration in Raleigh and Washington which could have a significant impact on our budget, the Proposed Budget is based on current law. Should Medicaid relief, loss of our right to receive franchise fees on cable services, or changes to the use of lottery proceeds be enacted before the end of June, we may need to rethink portions of the 2006-07 Budget. The proposed budget for next year totals \$101,844,181, which is an increase of \$4,302,587, or 4.41%, over the 2005-06 adopted budget. Every year, we always try to avoid adding to our citizens' tax burden. We take pride in providing the level of services that we do at one of the lowest county tax rates in North Carolina. If we have adjusted the property tax rate, it is for a specific purpose so taxpayers know how the extra funds are to be used. That will be the case this year.

The Proposed Budget utilizes current financial resources to address all employee compensation issues, increased current expense appropriations for public schools and the community college, and departmental needs. However, the new debt for school construction and our commitment to the Piedmont Triad Regional Water Authority are regarded as new, continuing obligations. As a result, the Proposed Budget includes a 1.5 cent adjustment to the tax rate, from \$.525 to \$.54, to generate the additional revenues needed to pay debt service on the new school construction and the County's share of the operating costs of the Water Authority. This Proposed Budget will address our urgent needs without sacrificing any current services or compromising Randolph County's financial stability.

### Revenues

The current tax levy is based on a total property valuation of \$8,750,000,000; the tax base increased by \$150,000,000, or 1.74% over the estimate used last fiscal year. Current year tax revenues of \$45,927,000 are based on a property tax rate of 54 cents per \$100 valuation and a collection rate of 97.20%. The total increase in ad valorem property tax revenues for fiscal year 2006-07 is \$2,346,200. At the current valuation and collection rate, one cent on the tax rate produces \$850,500, compared to \$835,920 last year. To fund the entire requested budget this year, a property tax rate of 58.60 cents would have been necessary.

Local option sales tax revenue budgeted in 2006-07 is 3.5 percent higher than estimated current year collections, although it is a 6.03% increase (\$1,312,500) over the amount budgeted last year. Expected revenue growth next year was determined after review of projections provided by the NC Association of County Commissioners.

Restricted Intergovernmental Revenues are expected to be 7.61% more than last fiscal year, due to the budgeting of \$1,000,000 for an ADM grant to help cover principal and interest payments on existing debt. Otherwise, this revenue source was flat. Permits and Fees will see modest growth.

Sales and Services reflect a 12.56% increase, due to growth in ambulance service fees from rate adjustments, and tipping fees. The tipping fee for solid waste disposal has not been adjusted since July 1, 1999. Public Works has recommended it to go from \$38 per ton to \$44 per ton, to cover the cost of the new transfer station contract. We also see the volume of solid waste continuing to decline.

The Federal Reserve maintained its policy of raising interest rates during the past year. This has had a positive impact on our Investment Earnings. We have seen substantial growth in Investment Earnings during the year as interest rates have risen. Our investment earnings should continue to improve next year as well.

Miscellaneous Revenue in 2005-06 included proceeds from a one-time legal settlement. This causes a 31.86% decrease in 2006-07. Interfund Transfers decreased, replaced with the ADM grant budgeted in Restricted Intergovernmental Revenues.

	2005-06 Budget <u>Ordinance</u>	2006-07 Proposed <u>Budget</u>	Percent <u>change</u>
<b><u>General Fund</u></b>			
<b>Revenues and Other Financing Sources:</b>			
Ad valorem Taxes	\$ 44,390,800	\$ 46,737,000	5.29%
Local Option Sales Tax	21,767,500	23,080,000	6.03%
Other Taxes	609,000	654,000	7.39%
Intergovernmental:			
Unrestricted	56,900	56,900	0.00%
Restricted	13,820,183	14,871,819	7.61%
Permits and Fees	2,381,250	2,507,250	5.29%
Sales and Services	7,166,859	8,067,182	12.56%
Investment Earnings	936,000	1,695,000	81.09%
Miscellaneous	650,249	443,073	-31.86%
Appropriated Fund Balance	3,272,713	2,237,260	-31.64%
Interfund Transfers In	<u>2,490,140</u>	<u>1,492,015</u>	-40.08%
Total Revenues and Other Financing Sources	<u>\$ 97,541,594</u>	<u>\$ 101,841,499</u>	4.41%

Appropriated Fund Balance has been budgeted at \$2,237,260 for fiscal year 2006-07 or 2.2% of the General Fund Budget. It includes \$1,850,000 for educational appropriations; to eliminate this amount from the budget with property taxes would require another 2.18 cents on the tax rate. The remainder of \$387,260 is for Sheriff's use of restricted forfeiture monies collected over the past few years.

### Expenditures

Significant increases to department budgets have been rare the past few years. Available financial resources were diverted to higher property, liability and worker's compensation insurance premiums and Medicaid. For 2006-07, Medicaid and insurance costs are not an issue, allowing resources to be devoted towards compensation and other costs.

*County Departments* – Most requests from County departments were modest this year, mainly to cover the increased cost of maintaining services at current levels. The following are highlights of the major changes to General Fund department budgets:

- Administration – Insurance decreased \$193,144 due to changes in our experience modifier; approximately \$23,000 was saved due to changes in management salaries.
- Information Technology – An additional \$40,935 was provided for software maintenance fees and to upgrade switches which are critical to our computer network.
- Tax - The 2007 revaluation process will increase costs, including postage, travel and fees for the Board of Equalization and Review.
- Elections - There is a higher cost for ballots and software maintenance due to the new voting equipment mandated by the state.
- Public Buildings – Utilities are expected to be \$111,611 higher in 2006-07.
- Sheriff and Jail – An additional \$20,000 for automotive costs, \$21,200 for jail utility costs, approximately \$46,000 to contract for inmate medical services for an additional 44 hours, and \$387,260 to purchase special equipment (with restricted law enforcement funds).
- Emergency Services – Increased collections from ambulance fees will pay for two telecommunicators (\$75,132), additional fuel costs (\$20,000), a supersized stretcher (\$8,500), and turnout gear for fire inspectors, mandated by the state.
- Day Reporting Center – Effective July 1, 2006, the County will fund the Pre-trial Case Manager position (\$43,724).
- Cooperative Extension Service - \$23,141 for additional cost of send-in employees.
- Public Works – \$208,000 for the transfer station operating contract, paid from the increase in tipping fees.

*Other Organizations* – The following organizations received additional funding in the Proposed Budget:

N.C. Forest Service - \$5,000	Ash-Rand Rescue Squad - \$1,775
Piedmont Triad Partnership - \$83	Yadkin / Pee Dee Lakes Project - \$200
Piedmont Triad Regional	Randolph County Senior Adults Association - \$8,986
Water Authority - \$340,181	Family Crisis Center - \$2,200

*Education* – The 2006-07 Proposed Budget includes a 5% increase for Current Expenses for public schools (\$906,234) and Randolph Community College (\$101,737). Total average daily membership (ADM), or student enrollment in the K-12 grades, increased countywide by 2.1%

for next year. However, the ratio of average daily membership between the Randolph County Schools and the Asheboro City Schools shifted by .21% for fiscal year 2006-07, resulting in slightly more funding apportioned to the Randolph County Schools.

The Randolph County Schools received an additional \$765,303 in current expense; the Asheboro City Schools received an increase of \$140,931 in current expense. Because of the shift in the student enrollment, an additional \$30,146 was provided for Current Capital in order to keep the Asheboro City Schools at the same level of capital funding as the 2005-06 year; this increased funding all went to the County Schools. Randolph Community College did not request additional funds for capital. Appropriations to public schools and the community college make up over 24% of the proposed 2006-07 budget.

*Interfund Transfers Out* – In addition to the \$1,442,950 annual transfer to the County Schools/Mental Health Capital Reserve, this year includes the transfer of \$850,500 to the Economic Development Reserve. This Reserve Fund accounts for the proceeds of the additional one cent on the tax rate dedicated for economic development; when specific projects are approved by the Commissioners, monies will be transferred back to the General Fund.

	2005-06 Budget <u>Ordinance</u>	2006-07 Proposed <u>Budget</u>	Percent <u>change</u>
<b><u>General Fund</u></b>			
<b>Expenditures and Other</b>			
<b>Financing Uses:</b>			
General Government	\$ 8,648,560	\$ 8,676,563	0.32%
Public Safety	16,923,315	17,505,350	3.44%
Economic and Physical Development	1,633,746	1,984,077	21.44%
Environmental Protection	3,238,430	3,463,269	6.94%
Human Services	28,433,569	28,619,286	0.65%
Cultural and Recreational	1,636,322	1,625,159	-0.68%
Education	23,993,742	25,031,859	4.33%
Debt Service	10,755,040	11,093,961	3.15%
Contingency	-	1,548,525	
Interfund Transfers Out	<u>2,278,870</u>	<u>2,293,450</u>	0.64%
Total Expenditures and Other Financing Uses	<u>\$ 97,541,594</u>	<u>\$ 101,841,499</u>	4.41%

Contingency

As discussed earlier, a study by the Personnel Director indicates that compensation levels for Randolph County employees still remain below comparable governments. The Contingency section of the budget contains the proposed employee salary and benefit package for this year: \$774,735 for a 3.0% pay plan adjustment, \$516,490 for a 2.0% market adjustment, increase in our employees' group health insurance costs by \$207,300, \$30,000 for the special merit plan specifically for the Sheriff's Department, and an additional \$20,000 contribution to the law enforcement separation allowance. A 1% adjustment to our pay plan costs \$258,245, which includes all of the related fringe benefits.

After the Board completes its budget discussions, these contingency dollars will be transferred to actual departmental categories to arrive at the Final Budget.

#### Requests for New Positions

There are six new full-time positions in this Proposed Budget: two telecommunicators for Emergency Services to handle the additional call volume, an office support position for the WIC program, two existing Social Services caseworkers previously unfunded, and a Social Service caseworker for the LINKS program. These positions were funded with service fees, grant revenues, or cost savings, not an increase in general county revenues. There is also a part-time jailer position upgraded to full-time in the Sheriff's Department.

There are an additional ten positions requested by departments but not in the Proposed Budget. All of these positions would have to be paid for with general county resources. Administration requests an Accountant I position for an internal auditor, Veteran Services needs a part-time office assistant, and Public Library requests a Librarian III for the reference desk.

The Department of Social Services has had a significant amount of lapsed salaries in past years, allowing them to hire extra staff during periods of high turnover. This turnover is now much lower and the past couple of years have been a struggle to keep within the budget. Currently, ten positions are unfunded; the Requested Budget was for five of these to be funded permanently. The Proposed Budget used cost savings in other areas to include two of these positions. DSS also requests a new attorney, a computer support technician, an income maintenance caseworker, and a social worker.

The Proposed Budget has 677.5 full-time and 20 part-time positions in the General Fund and 2.5 full-time positions in the Emergency Telephone System Fund.

#### Debt Service

As discussed, the debt issuance for the new Providence Grove High School, land for the Archdale-Trinity area high school, and renovation to Teachey Elementary is scheduled for August 2006. The 2006-07 debt service for these projects is expected to be around \$850,000. The County does not have any authorized but unissued bonds, and our bonded indebtedness is \$8,260,000 as of June 30, 2006. The County's debt from installment purchase agreements and the state clean drinking water loan is \$77,195,071 as of June 30, 2006, resulting in total indebtedness of \$85,455,071. A total of 10.89% of this Proposed Budget is needed to fund our debt service requirements for fiscal year 2006-07.

### **Emergency Telephone System Fund**

The Emergency Telephone System Fund budget decreased from \$707,491 to \$676,512. The revenues from the 911 telephone tax and the wireless telephone surcharge are expected to be \$623,108; interest earnings are projected at \$36,652; and an appropriation of fund balance is necessary for the additional \$16,752.

### **Landfill Closure Fund**

There were no changes to the Landfill Closure Fund, which maintains a total budget of \$86,500, funded by investment earnings of \$23,000 and appropriated fund balance of \$63,500.

### **Fire District Fund**

This budget book includes information on the requests by area fire departments regarding fire district tax rates. No fire district asked for an increase in their district property tax rate.

### **School District Tax Rates**

The Asheboro City School District has requested a change in their district tax rate from \$0.1385 to \$0.145. This would generate an additional \$121,300 based on a valuation of \$1,920,000,000. The Archdale-Trinity School District (\$0.085) is not requesting a change to their property tax rate. However, with growth in property value, their tax revenues will rise \$24,786.

### **Capital Improvement Plan**

Over the past couple of years, we have developed a strategy for dealing with major capital needs of our county. Instead of having projects bottleneck, we have determined our priorities, selected financing methods, and established construction timelines. As a result, we are able to summarize these decisions in a Capital Improvement Plan, which is included in this document. A Capital Improvement Plan allows us to maintain a long-range capital planning process that can incorporate new issues as they arise.

The County currently has three active capital project ordinances. The Randolph County Schools Capital Project ordinance is used to account for debt proceeds which will be used to construct two new high schools. The Asheboro City Schools Project will be used to account for debt proceeds to renovate the elementary school. The Technology Capital Project accounts for the transfer of monies from the General Fund to make major upgrades to the County's technology systems.

We would like to express appreciation to all of the Randolph County Department Heads and their staff who helped work through this budget. Their leadership is essential in maintaining our high quality of services despite limited resources. County Departments continue to examine how we deliver service to determine if the practices of the past will meet the needs of the future. We would also like to thank Jane Leonard for her hard work and assistance in preparing this budget document. Finally, we would also like to thank the members of the Board of Commissioners for their leadership, their dedication to the citizens of Randolph County and for their continued interest and support throughout the past fiscal year.

Richard Wells  
Interim County Manager

William L. Massie  
Assistant County Manager / Finance Officer

June 5, 2006