



May 4, 2015

Dear Commissioners:

Please find attached the proposed budget for the fiscal year beginning July 1, 2015 and ending June 30, 2016 (FY2015-16). Attached are Budget Issues and Budget Worksheets.

All funds in the FY2015-16 budget are balanced. This budget proposes using \$1.7million in General Fund Balance to address critical needs. No increase in the property tax rate is recommended.

The Board of County Commissioners adopted a new set of goals in 2015. The goals are reiterated in the budget message and the work towards meeting those goals will accelerate into the coming fiscal year (2015-2016).

National and state economic indicators point to an improving economy. Our challenge in this budget cycle (and probably through the FY2017 budget cycle) is the predictability that we will be dealing with a rural economy that is lagging behind the more urbanized counties. As stewards of the public's money, we are facing the challenges (and opportunities) of making sound investments that improve our economic wellbeing, providing core services that improve the quality of life for the citizens we serve and maintaining our facilities and properties, which has been exceptionally challenging during the last years of the economic recession.

My thanks are extended to all County department heads and elected officials who worked diligently on this budget. County employees remain focused to bring cost-effective services and excellent customer service to the citizens, property owners and guests of Rutherford County. I wish to particularly thank Finance Officer Paula Roach and Deputy Finance Officer RaeAnn Turner for their help as well as Planning Director Danny Searcy for his invaluable insights and contributions. Debra Conner, Hazel Haynes, Kim Aldridge and Jai Doherty are also due great thanks for their contributions to the creation of this proposed budget.

In the end, the recommendations contained herein are those of the County Manager. I appreciate the opportunity to serve the Board of Commissioners and the citizens of Rutherford County. I look forward to working with the Board to review these recommendations and adopt a budget ordinance for FY2015-16.

Sincerely,

Steve Garrison
County Manager

THE MEMBERS OF THE RUTHERFORD COUNTY
BOARD OF COUNTY COMMISSIONERS

The proposed budget for Fiscal Year 2015-2016 is presented for your consideration. This budget is based on a revenue-neutral property tax rate of 60.7 cents per \$100 valuation that yields a budget that is within 9.29% of last year's adopted budget. This budget message is divided into several sections:

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Budget Issues

The FY2015-16 budget reflects difficult issues that will require careful allocation of financial resources and personnel. The budget was created to ensure that the County can continue to provide core services and still make investments in economic development and quality of life projects. Rutherford County is in good financial condition but continues to feel the effects of the economic recession that followed the textile industry dislocation of the late 1990's and 2000's and then the housing and banking collapse starting in 2007. The primary driving factor impacting the FY2016 budget is the postponement of critical capital building improvements and the adjustment of staffing levels to accommodate service needs during the eight years of economic recession. Although many of the metropolitan service areas centered around North Carolina's larger urban areas are beginning to experience improvements in their revenues, the rural counties such as Rutherford County generally lag behind and are not experiencing the same level of economic recovery. We have reached a cross road where we can no longer continue to set aside our critical capital building and staffing needs despite lagging behind the national economic recovery. The proposed FY2016 budget reflects this.

The FY2015-16 proposed budget (General Fund, including DSS) is \$63,008,137, an increase of \$5.36 million. The primary increases consist of the following: \$2.56 million incentive payments, \$1.5 million DSS (due to additional revenues/expenses related to the continued implementation of NC Fast and appropriated fund balance of \$1 million to address critical needs at the community college.

The Property Tax Rate is proposed to be unchanged at 60.7 cents per \$100 valuation.

Net property valuation is up 8.63% from FY2014-15 to \$6.8 billion but essentially flat after incentives are included. This trend is expected to peak in FY2015-16 when incentives will reach \$7.05 million but increased valuation is expected to meet the related expected expenditure.

Based upon FY2014-15 experience and recent trends, sales tax revenues are expected to increase \$233,222 which reflects a 3% increase due to lower unemployment, a recent increase in work force, and an increase in tourism.

Most County department budgets have been kept nearly flat to reflect the revenue issues noted above. A few departments had increases due to changes in accounting for their expenses across funds. For example, E911 eligible positions are now charged to the General Fund departments with a new offsetting revenue from E911 fund because of a State reporting change (salaries are ineligible, whereas implemental functions are eligible).

Commissioner Goals

The County is in the beginning stages of addressing the Rutherford County Commissioner's FY2016 goals. The budget is one tool available to address and fulfill the actions identified to reach the Commissioner goals.

The one important, common theme must be maintained: **Good Jobs**

GOALS

Critical Priorities

- Develop a 6-year plan of capital improvements for Rutherford County Schools, Isothermal Community College and Rutherford County Government
 - ✓ Work with the Board of Education, ICC Trustees and County staff to establish prioritized capital needs
 - ✓ Systematic examination of reports from each entity and consensus building, create a master, prioritized building plan

- ✓ Develop a comprehensive funding plan
- Continue advocacy for infrastructure to promote good jobs and business opportunities
 - ✓ Work with leaders of counties supporting interstate status of US74 from Interstate-26 to Interstate-85
 - ✓ Promote improved existing transportation infrastructure: Hwy 221 Four-lane from Interstate-85 (SC) through McDowell County and north; Hwy 221A Straightening through southern Rutherford County
 - ✓ Develop a public-private partnership for Broadband Generation 2.0 planning and deployment
- Create leadership councils to regularly meet and discuss issues important to Rutherford County as well as provide an opportunity to educate one another and build trust and collegiality
 - ✓ Education – Schools, college
 - ✓ Economic development, jobs and business opportunities – Industry, education, municipalities, etc.
 - ✓ Management – Level group of county, education and municipalities to seek areas where common talent, resources, equipment and services can be shared and pooled

Additional staff county goals for FY2016 include:

- VIPER tower in Chimney Rock
- HVAC and Roof Plan for schools and college
- Increase internet/cell services to un-served or underserved areas of the county
- Continue and expand community based grants
- Work with Clerk of Court to prioritize and continue to address court house capital and safety needs
- Work with Sheriff to complete the feasibility study and plan development for the jail expansion project
- Indoor Farmers market and commercial kitchen
- Board of Elections and Development Services facilities planning
- Complete Revenue Department software conversion
- Complete construction of the South Eastern EMS Station and Library
- Complete Watershed Emergency Action Plans (EAP)

Budget Trends

Attached please find [Appendix A](#) which shows the changes in revenue expenditures and fund balances over the last ten years.

General Fund Balance

The County began FY2014-15 with \$12,931,162 in unassigned General Fund balance. During the present fiscal year, the County budgeted \$2.15 million of fund balance. Lower expenditures and higher tax collections will help to recover \$500,000 of the budgeted fund balance so the FY2014-15 (June 30, 2015) unassigned fund balance is estimated to be \$12.47 million. Below are major uses of fund balance.

- \$530,000 of approved projects from the prior year was carried forward.
- \$18,807 to replace failing lift at the garage.

The FY2015-16 budget proposes to use \$1.7 million of General Fund unassigned fund balance to address critical needs. The proposed FY2015-16 fund balance is estimated to be 25.95%, which remains within the range for North Carolina counties, having the population of Rutherford County. Also, it exceeds the minimal 8% recommended by the Local Government Commission. [Appendix B](#) shows the Fund Balances of the General Fund and other Governmental Funds over the last ten years.

Each year, the County “carries forward” certain grant and other projects from year-to-year. These items increase the budget but zero out with revenues and expenditures over multiple fiscal years. FY2014-15 carry-forward items will be amended in the FY2015-16 budget after July 1. Examples include NC Department of Commerce Industrial Development and Building Reuse Grants, Capital Projects (including Water and Sewer Projects), other multi-year projects such as Grey Rock and Queens Gap Infrastructure and remaining proceeds of the Vehicle Replacement fund for items not yet delivered.

Of note, in FY2013-14, the County foreclosed and took possession of 120 lots within the Queen's Gap property. The property is being carried as an asset to the County. This property has the potential of being sold during the current or subsequent fiscal years. When sold, the proceeds will be recognized as a gain or loss on the disposal of asset.

County Debt Service

Rutherford County debt obligations are shown below.

COUNTY OUTSTANDING DEBT

**Rutherford County, North Carolina
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years**

Fiscal Year	Population in thousands (Estimated)	Governmental Activities				Business-type Activities		Total Primary Government	Percentage of Personal Income (2)	Per Capita (2)
		General Obligation Bonds	Installment Purchase (1)	Capital Leases	Revolving Fund - DENR	Capital Leases				
2005	63	13,765,000	38,395,000	1,704,028	-	793,847	54,657,875	3.54%	867.59	
2006	64	13,010,000	41,104,419	1,876,214	-	688,426	56,679,059	3.48%	885.61	
2007	64	10,675,000	44,953,677	2,274,211	331,400	577,397	58,811,685	3.46%	918.93	
2008	63	9,975,000	57,668,467	3,963,343	314,830	667,632	72,589,272	4.18%	1,152.21	
2009	63	7,720,000	58,074,856	4,758,537	298,260	621,299	71,472,952	4.16%	1,134.49	
2010	63	7,035,000	54,911,271	3,240,000	281,690	402,330	65,870,291	3.76%	1,045.56	
2011	67	4,820,000	50,601,731	2,385,102	265,120	174,067	58,246,020	3.22%	869.34	
2012	68	4,490,000	48,052,854	1,235,626	248,550	24,379	54,051,409	2.85%	794.87	
2013	68	4,160,000	43,729,878	1,494,993	231,980	-	49,616,851	2.62%	729.66	
2014	67	3,932,000	40,483,026	1,279,409	215,410	305,438	46,215,283	<i>not available</i>	689.78	

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

- (1) Includes certificates of participation and private placement debt.
 (2) See the Schedule of Demographic and Economic Statistics on page 103 for personal income and population data.

Source: Rutherford County CAFR, June 30, 2014

General Property Tax Rate

The Property Tax Rate is proposed to be unchanged at 60.7 cents per \$100 valuation.

Tax Collection

As of June 30, 2014, the County audit showed a collection rate of 96.45% of real estate property tax levy. The State average is 97.23%, which is the short term target for the Revenue Department. Each percentage of unpaid delinquency is equal to \$413,000 in FY2015-16.

By State law [GS 149-113(b)(6)] the County may only budget property tax revenues based upon the prior fiscal tax collection. Hence, even though the FY2015-16 levy is \$39.84 million, the FY2013-14 tax collection rate of 96.45% must be used for budget purposes. Hence, the property tax revenues are only budgeted at \$39,840,375.

We are currently projecting a June 30, 2015 collection rate of approximately 96.5%. As of April 30, 2015, the real estate property tax collection rate was 94.26% with a Solid Waste Convenience Site Fee collection rate of 89.2%. Revenue Department staff continues to work closely with Solid Waste staff to more effectively and fairly implement the Convenience Site Fee.

Rutherford County has \$4.82 million in unpaid real estate delinquencies as of April 30, 2015. Of the \$4.82 million in real estate delinquencies, \$1.5 million is in Grey Rock. Securing payment will be time-consuming, as will be collection of other real estate delinquencies in bankruptcy court. However, staff will continue aggressive collection efforts regardless of how long it may take to secure payment.

FY2013-14 was the first year of motor vehicle tax collections through State automobile registrations. The State continues to work through issues with this system but we are able to project a conservative figure of \$2.049 million for FY2016, which represents a 96.45% rate for motor vehicle tax collections.

Rutherford County, North Carolina Property Tax Levies and Collections (1) Last Ten Fiscal Years

Table 8

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)	Collected within the Fiscal Year of the Levy			Total Collections to Date	
		Amount	Percentage of Original Levy	Collections in Subsequent Years	Amount	Percentage of Original Levy
2014	\$ 39,404,494	\$ 37,988,441	96.4	\$ -	\$ 37,988,441	96.4
2013	35,511,830	33,844,505	95.3	928,005	34,772,510	97.9
2012	33,887,224	31,598,979	93.2	1,171,335	32,770,314	96.7
2011	33,478,863	31,210,949	93.2	1,386,051	32,597,000	97.4
2010	33,253,013	31,195,062	93.8	1,364,502	32,559,564	97.9
2009	33,213,924	31,362,647	94.4	1,287,847	32,650,494	98.3
2008	32,461,482	31,280,218	96.4	993,650	32,273,868	99.4
2007	27,557,905	26,491,335	96.1	961,106	27,452,441	99.6
2006	26,864,829	25,786,091	96.0	989,891	26,775,982	99.7
2005	25,833,919	24,843,268	96.2	908,341	25,751,609	99.7

(1) Includes general fund and special districts.

Source: Rutherford County CAFR, June 30, 2014

Other Property Taxes

Based upon budget submissions by the Districts, the rates for County Service Districts – Fire Protection, Sanitary and Water are shown for each district. FY2015-16 will be the first year Queens Gap Water District will levy a tax. The tax will be used for annual maintenance needed for the water system due to the minimal usage volumes anticipated until the project is further developed.

County Service District	FY 15-16 Assessed Value	FY14-15 Budget Amount	FY14-15 Tax Rate	FY15-16 Budget	Tax Rate Needed to Fund FY15-16
Bill's Creek	\$288,921,420	210,981	0.06	215,365	0.06
Bostic	\$136,218,760	90,445	0.06	98,081	0.06
Broad River	\$3,586,800	4,634	0.10	4,425	0.10
Cherry Mountain	\$193,595,300	220,207	0.09	230,528	0.09
Chimney Rock	\$57,930,353	37,832	0.05	37,308	0.05
Cliffside	\$216,807,800	176,534	0.08	209,366	0.08
Edneyville	\$1,353,200	1,393	0.09	1,639	0.10
Ellenboro	\$325,302,350	269,155	0.07	284,812	0.07
Fairfield	\$14,145,200	15,940	0.10	12,262	0.10
Forest City	\$8,308,500	7,878	0.08	7,161	0.08
Green Hill	\$219,409,600	188,145	0.07	191,699	0.07
Hudlow	\$310,256,921	298,746	0.08	311,825	0.08
Lake Lure	\$7,602,800	7,656	0.09	7,802	0.09
Outside Response Area	\$232,623,526	1,580,322	0.06	1,588,378	0.06
Polkville	\$36,543,550	15,853	0.05	22,090	0.05
Rutherfordton	\$245,645,450	246,717	0.09	270,994	0.09
Sandy Mush	\$305,766,860	186,288	0.05	252,284	0.07
Shiloh Danielstown Oakland	\$401,989,570	232,002	0.05	252,893	0.05
Shingle Hollow	\$112,236,540	136,009	0.10	142,800	0.10
Spindale	\$7,477,310	7,078	0.08	7,099	0.08
Union Mills	\$151,269,500	92,691	0.05	95,620	0.05
Queens Gap Water	\$1,653,500	N/A	0.00	4,996	0.313
Cliffside Sanitary	\$6,315,200	5,708	0.08	6,024	0.08

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Sales Tax Revenues

The NC Legislation continues to make changes governing county receipt of Sales Tax revenues, which make it difficult to predict, but the improved local economy leads to a forecasted 3% increase.

Sales Tax Projection as of April 15, 2015

	BUDGET	Actual/Projected*	2014- 2015		RECOMMENDED 2015-2016
	2014-2015		VARIANCE (Budget/Actual)		
Article 39	4,708,255	4,690,612	(17,643)	-0.4%	4,805,892
Article 40	3,049,389	3,213,734	164,345	5.4%	3,292,717
Article 42	2,310,378	2,300,277	(10,101)	-0.4%	2,356,810
Mun H.H. 42	(72,002)	(97,447)	(25,445)	35.3%	(99,842)
Mun H.H. 39	(541,608)	(617,600)	(75,992)	14.0%	(632,779)
Total	9,454,412	\$ 9,489,575	\$ 35,163	0.37%	\$ 9,722,798

Staff will continue to work with the Economic Development, Tourism offices, the Chambers of Commerce, and the Rutherford County towns in development and execution of promotions to Buy, Shop and Eat Locally.

Other Revenues

All other revenues are remaining flat including those relating to property sales and construction (Register of Deeds and Building Inspection). Building Inspection Fees were recently reviewed by staff and it was determined that Rutherford County's fees were significantly lower than all other jurisdictions in the calculation of fees. The last fee update was implemented in July 2008. A copy of the multi-jurisdictional survey, proposed fee schedule and samples are included in [Appendix C](#).

K-12 Education and Isothermal Community College

Allocations are proposed with a 1.42% operating expense increase, or same as County Departments' levels. The Rutherford County School System and Isothermal Community College made presentations to the County Commissioners on April 22 and April 27, respectfully.

EDUCATION FUNDING

	FY12-13 Approved	FY13-14 Approved	FY14-15 Approved	FY15-16 Requested	FY15-16 Recommended
County Depts. Schools/College	\$33,113,070	\$34,122,172	\$39,749,682	\$39,709,598	\$39,093,478
Schools Traditional & Charter	12,271,014	12,499,713	12,669,713	14,618,713	12,940,362
Schools Capital Outlay	211,213	1,001,015	554,388	3,025,672	192,242
Isothermal College (ICC)	1,891,806	1,957,588	2,184,724	2,233,285	2,212,747
ICC Capital Outlay	162,064	162,064	277,064	5,390,000	162,064
Economic Incentives	1,147,898	2,605,086	5,138,943	7,181,418	7,181,418

Other	1,899,868	1,966,871	1,196,445	1,342,458	1,225,826
Total	\$50,534,890	\$54,152,445	\$61,770,959	\$73,501,144	\$63,008,137

As of the April 2015 sales tax distribution, staff is projecting a 1.14% increase over budget or approximately \$35,000. At this time, it is not anticipated that additional sales tax revenues would be available for appropriation. Also, staff is concerned that this projection may be overstated due to sales tax refunds allocated by NC Department of Revenue, which is about \$120,000 less than last year. That would reduce future distributions, if posted.

Based upon prior Board policy, the School Capital Account portion of the Debt Service Fund is expected to have a negative balance of \$1,971,524 at the end of FY2014-15 as presented in [Appendix D](#).

The County must pay the debt service regardless. Debt service is shown as contra accounts in the several sales tax revenue accounts within the General Fund Budget. The Sales Tax allocated to the Schools is recorded as revenues in the Debt Service Fund.

Education Lottery proceeds (\$575,000) are estimated to decrease slightly from FY2014-15 to FY2015-16 due to the decrease in ADM. In 2013, the State Legislature deleted the statutory formula of Education Lottery revenues for school capital construction. The amount remained the same in FY2013-14 as the prior year, but state school construction funds are now subject to the appropriations process without statutory protection. All Education Lottery proceeds received by Rutherford County shown in the Debt Service Fund are pledged to pay school debt. If Education Lottery proceeds decrease, as has been proposed in prior Legislative sessions, then General Fund transfers to the Debt Service Fund will need to increase.

***NOTE:** Any reduction by the General Assembly in Education Lottery Funds allocation will require an increase in County General Fund expense to pay school debt. The General Assembly now allocates \$100 million of the expected \$192+ million in Education Lottery Funds that would otherwise be going to statewide school capital construction. If the statutory Education Lottery had been in place this year, Rutherford County would have received approximately \$1,197,000 for school facilities rather than \$575,000.*

Vehicle Replacement Plan

The Finance Office has updated the Vehicle Replacement Plan, which is based upon a business model as presented and approved in the FY2014-15 budget process.

The Vehicle Replacement Plan puts every vehicle in the County fleet in a single plan and it:

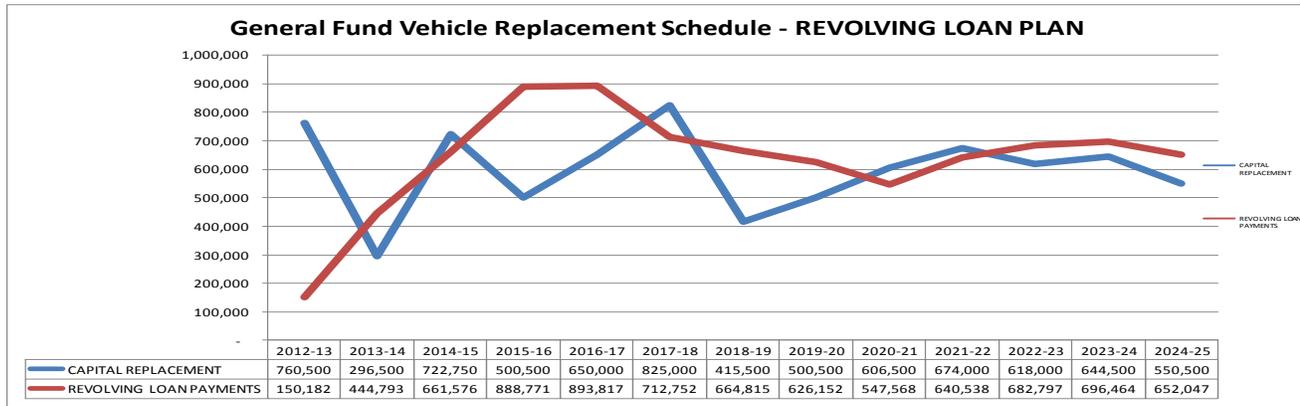
1. Determines when new vehicles are needed;
2. Identifies when vehicles should be changed to other uses (e.g. patrol vehicle to administrative use);
3. Establishes which vehicles should be reconditioned (e.g. remounting an EMS truck to double the life at half the cost); and,
4. Plans when vehicles should be disposed.

FY2015-16 vehicle capital replacements for the General Fund costs are \$500,500. Each fiscal year, this 10-year plan will be updated and adjusted based on mileage criteria. In all cases, vehicles purchased by the County will have a life expectancy in excess of three years. Revolving Loan payment amounts are expected to peak at \$893,817 in FY2016-17 and fall to \$664,815 in FY2018-2019, and remain similar in subsequent years.

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GENERAL FUND

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
CAPITAL REPLACEMENT	760,500	296,500	722,750	500,500	650,000	825,000	415,500	500,500	606,500	674,000	618,000	644,500	550,500
REVOLVING LOAN PAYMENTS	150,182	444,793	661,576	888,771	893,817	712,752	664,815	626,152	547,568	640,538	682,797	696,464	652,047



The graph above depicts the annual expected costs to replace all vehicles/equipment (blue line) with the General Fund and also the annual revolving loan payment (red line) necessary to fund the capital assets. The original department needs in FY2012-13 was approximately \$831,666, however, based on the vehicle replacement model plan, the department needs were showing higher amounts based on mileage and maintenance cost factors in the current fleet. The annual revolving loan payment model is less every year than the original department request from FY2012-13 with the exception of FY 2015-16 and FY 2016 - 17.

VEHICLE TYPE CYCLE IN/OUT PER YEAR													
	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
CARS	9	4	7	4	12	9	11	9	3	8	10	8	9
TRUCKS	3	1	-	-	-	2	-	1	1	1	-	1	1
VANS	2	1	-	-	-	-	-	-	-	-	-	2	-
SUV'S	4	3	1	4	-	5	1	-	3	3	5	2	-
TOTAL	18	9	8	8	12	16	12	10	7	12	15	13	10

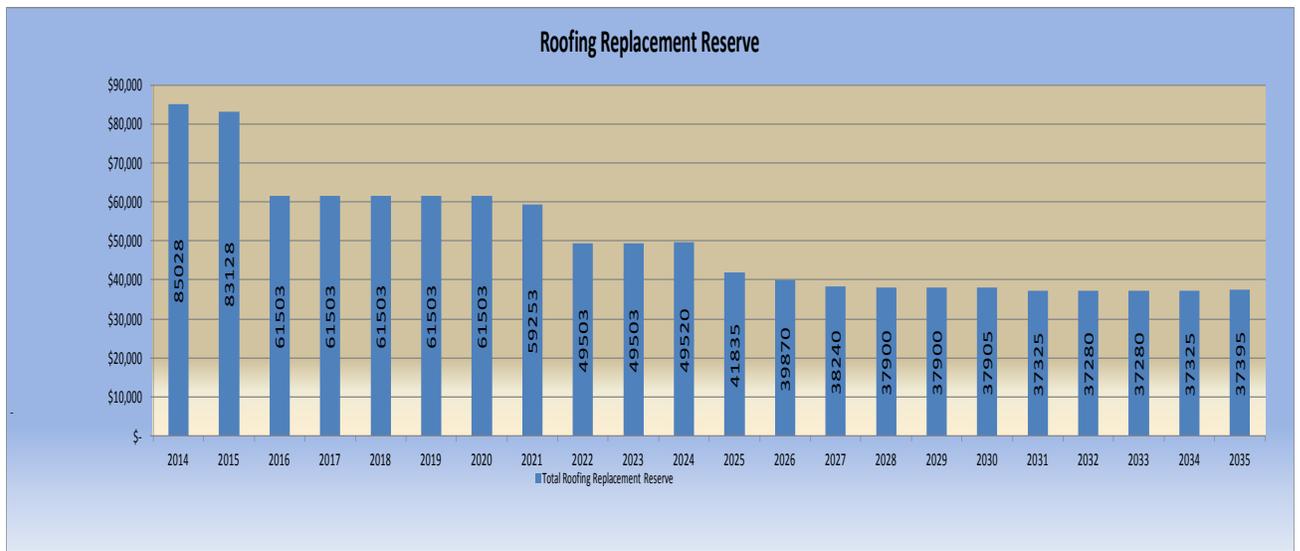
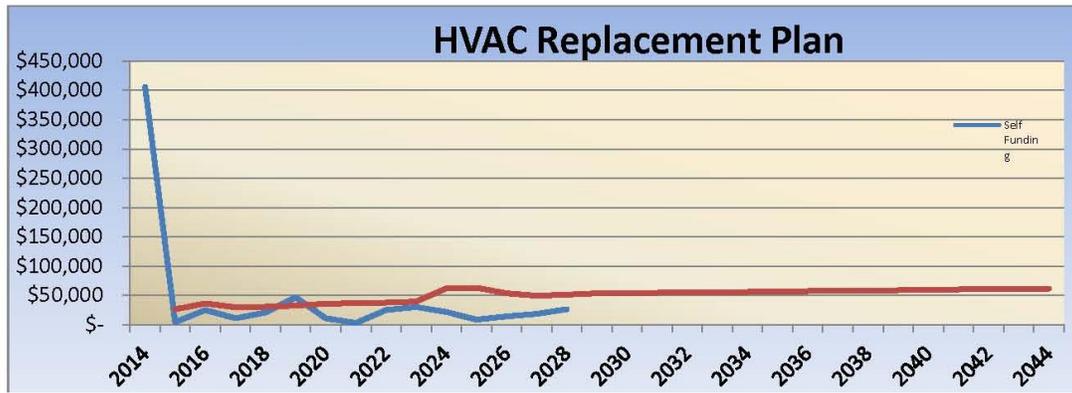
For the General Fund vehicle/equipment replacement plan, the above information represents the number of vehicles that will both cycle in/out per fiscal year according to the current plan. Due to the economic depression beginning in fiscal year 2007-08, the County did not purchase the normal trend of vehicles as in prior fiscal years. During the FY 2012-13, the County needed to purchase 18 total vehicles (non-ambulance) to meet current needs to provide dependable services for its citizens. After reviewing fleet mileage, vehicle purchases will average 12 per year for the next 3 years and peaking at 16 vehicles in FY2017-18. Vehicle purchases will then taper back down to an average of 11 vehicles per year. Mileage is reviewed yearly and vehicle replacements are adjusted accordingly.

HVAC and Roof Replacement Plans

For FY2013-14, the County instituted a HVAC Replacement Plan and a Roof Replacement Plan to prepare for the eventual replacement of these core items. Unlike vehicles, though, HVAC equipment and Roofs do not need to be changed out until they fail or become excessively expensive to repair. This makes their lifespan much longer and their overall annual cost lower.

HVAC replacement funds beginning in FY13-14 were handled through general fund assignment of fund balance in the amount of \$405,680; likewise, the roof replacement funds were also handled through general fund assignment in the amount of \$85,028. FY15-16 additional general fund reserve restrictions will total \$36,178 for

HVAC and \$61,503 for Roof Replacement. As the charts below indicate, over the next several years the replacements fund assignments will decrease significantly.



Elections Equipment

Due to changes enacted by the State Legislature, a hardware and software upgrade is needed for the Board of Elections equipment. The total cost of \$252,174 was anticipated for FY2016-17. However, recent proposed legislation may push this date out to 2019. We are assuming the cost will remain the same, however, and the County is budgeting for this in one-third increments of \$84,058, now through FY2016-17. This relieves the cost burden that would be experienced if done in one fiscal year alone.

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Emergency Medical Service

Southeastern EMS Station

Construction has started on the Southeastern EMS Station. The budget includes debt service for the Southeastern EMS Station (and Library) for 15 years, or approximately \$154,000 annually. For several years, the County has been budgeting \$81,700 for the EMS Station and added funds to the FY15-16 Recommended Budget for the Library.

EMS Contract Services

Contributions to the rescue squad are budgeted but will not be released prior to the execution of a contract between a rescue squad and the County. Such contract must be executed by July 31, 2015 or the funding to that rescue squad will be reallocated to the capital outlay line item within the EMS budget.

Salary Adjustment

Rutherford County continues to face a “compression” issue from when the County could not financially support salary adjustments during the recession years. Compression causes a severe morale problem when experienced, long-term employees cannot increase through their grade with the new employees being paid at or equitable to the same as seasoned employees. The FY2015-16 budget continues the practice of small, incremental increases that began in FY2012-13 to reduce the compression problem. Effective with the April 2016 payroll, a one-step increase (1.25%, \$50,108 in FY2016) has been budgeted for all employees hired prior to that payroll period. We are also proposing in this budget the expense of \$29,500 for a pay classification study, which will provide insight and recommendations as to whether our organization’s current compensation, policies and practices are effective or in need of adjustment.

Position Changes

Several position changes are requested for FY2015-16. A Planner/Project Analyst is budgeted, which will be used to help complete the Capital Facilities Study and perform other analytical responsibilities upon the request of the County Manager. One building inspector position is recommended to be reinstated due to increased economic activity (position has been held vacant since 2010). Two road patrol officers and one detention officer is included to address the additional volume experienced by the Sheriff’s Office. A Paramedic III position is included to increase initial response coverage. An Administrative Support position at Cooperative Extension is funded at 100% County-funding due to the loss of State funds for the position. A full-time Operations Assistant is recommended for the Airport Fund as it is proven to be very difficult to recruit reliable staff with limited part-time hours.

Retirements

Several retirements are expected in FY2015-16 and the corresponding payouts for accrued vacations are budgeted (\$40,000). This amount is included as a line item under the Human Resources Department.

Benefit Changes

No benefit changes are recommended for the FY2015-16 budget and the budget continues the split level health coverage offered through the State Health Plan. The County pays for employee-only coverage at the 70% rate; employees may elect and pay for coverage at the 80% rate. The budget includes funding for a potential State Health Plan rate increase of 5% in January 2016 and a 6.1% increase for dental effective July 2015.

9-1-1 Fund

Total revenues and expenditures are \$583,156 (\$429,205 estimated revenues and \$153,951 of E911 Fund Balance), all of which is funded through the 9-1-1 surcharge and within the guidelines established by the State. The County continues to work towards improved countywide radio transmission and reception with eventual integration into the statewide VIPER system.

STATE LAW: 9-1-1 work is severely hindered by existing law that restricts use of 9-1-1 funds only to handling phone calls and not allowing expenditures for receiving equipment such as radios and towers. In effect, 9-1-1 fees pay for a call into the 9-1-1 center but not for the call to send help. It is estimated that the County will have \$330,404 in 9-1-1 fund reserves as of June 30, 2015 that it would like to use towards telecommunication improvements but cannot due to this restrictive law.

Grant Fund

The recommended FY2015-2016 grant fund is comprised of the following continuing grants:

Airport Improvements
High School Resource Officers
CDBG Housing Rehabilitation
Urgent Repair Program Grant
NC Department of Commerce Building Reuse Grant
One NC Fund Grant
Bulletproof Vests Grant
Single Family Rehabilitation Grant
NC Department of Commerce Industrial Development Fund Grant
BJA Justice and Mental Health Collaboration Grant
Appalachian Regional Commission Comprehensive Applied Sciences Initiative

REVENUES	
Rutherford County School Board	\$ 249,859
Airport Grants Vision 100	\$ 150,000
<u>County Airport Match</u>	<u>\$ 16,667</u>
Total Revenues	\$ 416,526
EXPENSES	
High School Resource Officer/Lead SRO	\$ 249,859
<u>Airport Projects</u>	<u>\$ 166,667</u>
Total Expenses	\$ 416,526

If the Board approves, carry over balances from FY2014-2015 grants will be re-budgeted with June 30, 2015 unexpended balances.

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Transit Fund

The Transit Advisory Board has submitted the following budget:

REVENUES	
Elderly & Handicap Funds	\$ 68,000
RGP Receipts from riders	\$ 4,000
State Grant RGP	\$ 70,000
State Administration Grant	\$ 166,996
NCDOT Road Work First Grant	\$ 20,000
State Grant Vehicle Purchase	\$ 209,097
Sale of Transit Property	\$ 18,000
State Grant Equipment	\$ 36,272
<u>Contribution from Outside Agencies</u>	<u>\$ 604,711</u>
Total Revenues	\$1,240,725
EXPENSES	
Salaries/Fringe	\$ 640,453
Operations (other than below)	\$ 105,963
Capital Outlay	\$ 280,132
Fuel	\$ 135,000
Insurance	\$ 42,552
<u>General Fund Indirect Costs</u>	<u>\$ 20,000</u>
Total Expenses	\$ 1,240,725

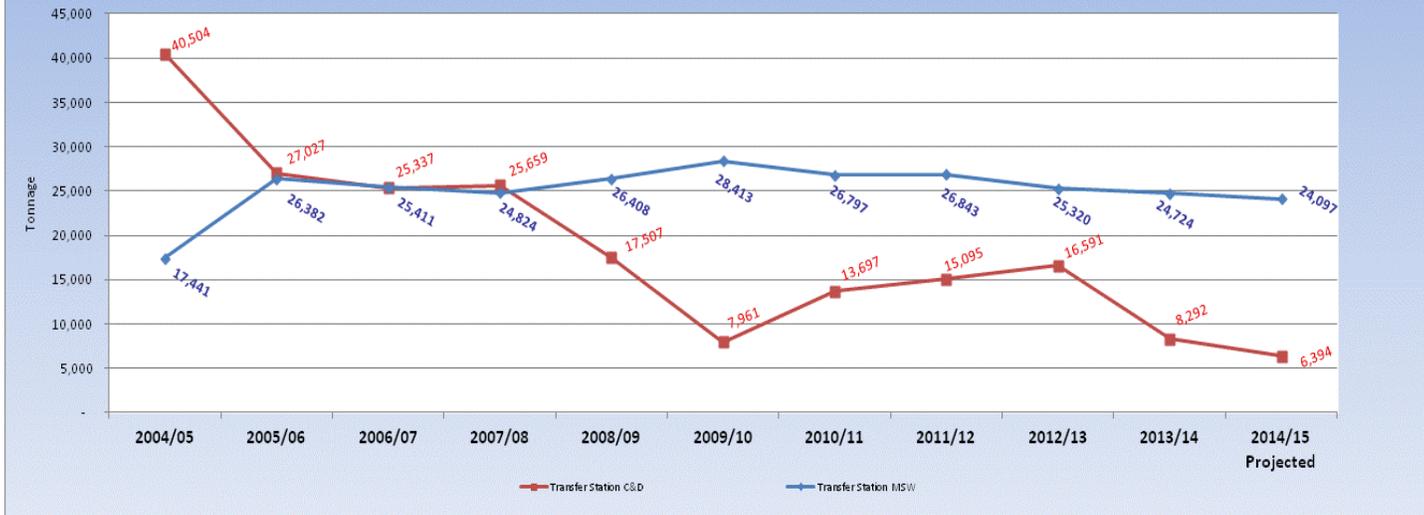
There are no County funds budgeted for Transit. The fund generates revenues from its users and from grants made by the state and federal governments. Transit will closely monitor proposed legislation and state funding, including ROAP funding. The recommended budget does not include a rate increase.

Solid Waste

During FY2013-14, the Solid Waste Department saw a massive drop in Construction and Demolition (C&D) tonnage, which resulted in the removal of a subsidy previously used to offset Municipal Solid Waste (MSW), commonly referred to as household waste. C&D tonnage has continued to decrease due to commercial and residential construction levels remaining tepid coming out of the current depression. Below is a graphical representation of the continued C&D decrease.

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10 Year Transfer Station Tonnage Trend



The budget continues to fund the School Recycling Coordinator part-time position (\$13,000) to promote recycling efforts in the schools. Recycling is not only the right thing environmentally for our future, it also saves the County over \$41 per ton in disposal costs.

Solid Waste and Revenue Departments continue to work closely with private haulers to ensure citizens are charged appropriately for Convenience Site Fees.

Lastly, the County Code language relative to Solid Waste is not consistent with current practices and State law/regulations. Administrative staff will work with the Solid Waste Director to begin the process of revisiting and rewriting this code language during FY2016.

A recap of Revenues and Expenses for the Solid Waste Fund are as follows:

REVENUES

Household User Fees	\$1,977,100
Tipping Fees	\$1,603,000
Recycling Revenues	\$ 110,000
NC DENR (\$2 ton) Fees	\$ 60,000
Misc Collections	\$ 100
Tire Disposal	\$ 88,000
White Goods	\$ 27,000
Interest Earnings	\$ 3,045
NCDENR Waste Reduction Grant	\$ 30,000
License Fees	\$ 700
Electronics Management	\$ 4,000
Contracted Services	\$ 25,650
Sale of County Property	\$ 10,000
<u>Solid Waste Disposal Tax</u>	<u>\$ 35,000</u>

Total Revenues **\$3,973,595**

EXPENSES

Collections

Salaries/Fringe	\$ 671,968
Fuel	\$ 78,000
Operations	\$ 244,111
General Fund Indirect Costs	\$ 82,017
Transfer to Vehicle/Equipment	\$ 21,554
Capital Outlay	\$ 62,000
Total Collections	\$ 1,159,650

Disposal

Salaries/Fringe	\$ 474,423
Waste Disposal Contract	\$ 1,498,161
NC DENR Fees (\$2 ton)	\$ 74,000
General Fund Indirect Costs	\$ 109,312
Operations	\$ 528,657
Capital Outlay	\$ 43,800
Transfer to Vehicle/Equipment	\$ 98,192

Total Disposal **\$ 2,812,545**

Total Expenses **\$ 3,973,595**

Health Department

The Health Department contribution is increasing by \$56,014 in FY2015-16, which is the last of the three increases approved by the three counties making up Rutherford-Polk-McDowell Health Department. An increase in fees is not included in this budget.

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Summary of Recommended Budgets for all Funds

	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$48,566,677	\$48,566,677
DSS Fund	\$14,441,460	\$14,441,460
Airport Fund	\$516,496	\$516,496
Vehicle/Equipment Replacement	\$1,699,810	\$1,699,810
Telephone Internal Service Fund	\$129,815	\$129,815
SAN Upgrade Internal Service Fund	\$83,334	\$83,334
E911 Addressing Fund	\$583,156	\$583,156
ROD Automation Enhancement	\$45,020	\$45,020
Grant Fund	\$416,525	\$416,525
ICC Capital Reserve Fund	\$162,089	\$162,089
Debt Service Fund	\$6,010,762	\$6,010,762
Service District Funds	\$4,255,447	\$4,255,447
Transit Fund	\$1,240,725	\$1,240,725
Solid Waste Fund	\$3,973,595	\$3,973,595
GRAND TOTAL ALL FUNDS	\$82,124,911	\$82,124,911

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Appendix A: "Change in Fund Balances of Governmental Funds Last Ten Fiscal Years"
 Table 4, page 98 of the CAFR (Comprehensive Annual Financial Reports)

Rutherford County, North Carolina
Changes in Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

Table 4

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues										
Ad valorem taxes	\$ 39,856,685	\$ 35,157,298	\$ 32,563,905	\$ 32,401,810	\$ 32,411,413	\$ 32,118,994	\$ 32,258,449	\$ 27,326,881	\$ 26,792,167	\$ 25,585,444
Local option sales taxes	9,925,498	9,697,197	10,471,206	9,371,128	9,371,128	11,273,726	13,269,401	13,240,333	12,262,177	11,743,695
Other taxes and licenses	12,083,972	16,762,561	13,478,893	13,218,233	13,900,162	13,236,718	13,698,050	12,480,458	11,213,535	10,834,718
Restricted intergovernmental	823,972	903,651	772,861	739,459	799,462	861,720	1,177,290	1,435,366	1,439,013	1,143,302
Permits and fees	3,959,190	3,988,872	3,109,137	3,047,002	3,080,873	3,119,977	3,801,501	3,674,300	2,882,979	2,700,089
Sales and services	15,268	40,674	85,288	74,005	134,224	471,754	1,084,487	1,243,368	1,012,369	473,461
Investment earnings	347,267	12,458,793	15,657,035	62,667	287,225	729,808	590,273	415,034	412,112	412,112
Miscellaneous	67,011,852	78,619,046	76,628,495	59,902,244	60,571,248	62,229,139	66,826,138	60,674,694	56,640,384	53,156,398
Total revenues										
	\$ 161,852,447	\$ 148,852,447	\$ 148,852,447	\$ 148,852,447	\$ 148,852,447	\$ 148,852,447	\$ 148,852,447	\$ 148,852,447	\$ 148,852,447	\$ 148,852,447
Expenditures										
Current:										
General government	6,402,576	6,238,861	6,422,596	6,074,636	5,805,454	6,615,187	11,334,882	6,609,488	5,611,902	5,703,555
Public safety	16,352,487	15,947,477	15,347,491	14,528,593	14,526,559	14,668,059	14,220,359	12,897,402	11,541,916	11,476,343
Environmental protection	134,975	123,785	131,200	172,641	184,030	164,882	127,250	125,124	130,655	122,884
Economic and physical development	11,760,028	11,724,587	3,797,851	4,102,277	2,384,886	4,081,840	4,856,946	3,849,835	3,913,258	2,443,609
Human services	13,773,250	13,188,622	13,353,462	13,614,958	13,442,160	14,844,012	16,521,713	16,037,237	15,521,178	14,791,299
Cultural and recreational	619,811	1,213,149	643,028	701,926	943,010	737,637	757,187	647,449	444,650	424,877
Intergovernmental:										
Education	14,457,301	14,166,820	14,162,820	13,883,820	14,059,465	14,480,287	13,967,220	13,053,888	12,513,922	12,081,683
Capital outlay	1,224,890	544,313	123,750	384,755	2,488,388	10,782,995	5,249,596	6,372,376	3,856,087	3,281,177
Debt service										
Principal	5,294,654	5,247,034	12,966,838	8,403,370	7,660,832	6,811,458	6,294,364	5,644,457	5,031,194	4,290,159
Interest	1,744,736	2,324,697	3,529,516	2,997,237	2,986,706	3,060,136	2,754,717	2,363,101	2,282,307	2,428,712
Total expenditures	71,764,808	70,720,325	70,878,552	64,864,303	64,481,390	76,446,193	76,084,234	67,600,437	60,877,069	57,043,798
Excess of revenues over (under) expenditures	(4,752,956)	7,898,721	5,749,943	(4,961,059)	(3,910,142)	(14,217,054)	(9,258,096)	(6,925,743)	(4,236,685)	(3,887,400)
Other financing sources (uses)										
Transfers from other funds	482,049	508,299	1,370,452	6,093,683	16,900,905	20,371,579	18,941,579	14,482,382	14,356,170	12,292,044
Transfers to other funds	(1,156,154)	(683,599)	(1,695,552)	(6,218,683)	(17,025,905)	(19,493,379)	(19,066,579)	(14,607,382)	(14,436,533)	(12,372,409)
Capital lease financing	598,500,000	-	-	-	-	-	-	-	-	-
Installment obligations issued	-	1,066,500	-	729,579	2,000,000	5,803,838	18,454,270	7,905,800	5,637,800	1,139,009
General obligation debt issued	-	-	-	-	-	-	1,555,000	-	1,520,000	-
Economic loan, net	100,000	(400,000)	-	-	-	-	-	-	-	-
Refunding bonds issued	11,473,000	8,425,000	24,831,900	-	-	-	-	-	-	-
Put to refunded bond escrow agent	(11,266,646)	(8,266,667)	(15,835,431)	-	-	-	-	-	-	-
Sale of capital assets	48,253	44,606	75,687	3,156,244	58,323	-	-	-	-	-
Total other financing sources (uses)	179,002	744,439	8,947,216	3,760,823	1,933,332	6,682,038	19,884,270	7,780,800	7,077,437	1,058,644
Net change in fund balances	\$ (4,573,954)	\$ 8,643,160	\$ 14,697,149	\$ (1,200,236)	\$ (1,976,810)	\$ (7,535,016)	\$ 10,626,174	\$ 855,057	\$ 2,840,752	\$ (2,838,756)
Debt service as a percentage of noncapital expenditures	13.63%	32.29%	24.28%	17.77%	17.05%	14.97%	13.78%	12.51%	12.70%	12.51%

Source: Rutherford County CAFR, June 30, 2014

Appendix B: "Fund Balances of Governmental Funds, Last Ten Fiscal Years"

Table 3, page 97 of the CAFR (Comprehensive Annual Financial Reports)
For the Year Ended June 30, 2014

Source: Rutherford County CAFR, June 30, 2014

Rutherford County, North Carolina
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Table 3

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Fund					\$ 3,761,124	\$ 3,680,844	\$ 4,074,203	\$ 4,126,704	\$ 3,920,463	\$ 3,915,909
Reserved					11,916,835	13,196,079	12,751,211	10,891,729	10,519,641	9,010,221
Unreserved					15,677,959	16,876,923	16,825,414	15,018,433	14,440,104	12,926,130
Total General Fund					\$ 391,364	\$ 686,472	\$ 556,972	\$ 1,805,359	\$ 1,324,037	\$ 1,429,110
All other governmental funds										
Reserved										
Debt service fund					6,640,609	5,811,482	8,080,868	4,246,534	3,959,653	3,701,003
Special revenue funds					2,358,646	3,670,511	9,117,150	2,883,906	3,375,401	2,202,181
Capital projects funds										
Total all other governmental funds					\$ 9,390,619	\$ 10,168,465	\$ 17,754,990	\$ 8,935,799	\$ 8,659,071	\$ 7,332,294
General Fund	\$ 847,698	\$ 626,072	\$ 103,232	\$ 278,797						
Nonspendable	4,234,132	6,931,059	3,339,563	2,837,483						
Restricted	1,940,740	814,721	1,043,000	1,657,769						
Assigned	12,931,162	9,817,932	12,526,992	12,297,792						
Unassigned	19,953,642	18,319,784	17,012,387	17,371,841						
Total General Fund	\$ 42,673,372	\$ 35,509,568	\$ 33,601,611	\$ 34,446,789						
All other governmental funds										
Nonspendable	9,093	-	18,149	19,844						
Restricted	19,773,096	26,155,252	20,234,076	4,173,042						
Assigned	1,597,988	1,432,737	-	559,791						
Unassigned	-	-	-	1,543,823						
Total all other governmental funds	\$ 21,380,177	\$ 27,587,989	\$ 20,252,225	\$ 6,296,500						

GASB Statement 54 established new fund balance classification effective beginning 2011.

Source: Rutherford County CAFR, June 30, 2014

Appendix C: Proposed Building Inspection Fee Schedule



Rutherford County, North Carolina

Building Inspections Department

PROPOSED - PERMIT FEE SCHEDULE

Credit/Debit cards are accepted with the addition of a 3% fee.

New Single Family Dwellings (including Modulares)

\$.40 per square foot of *gross area with a minimum fee of \$500. Includes one subcontractor in each trade (electrical, plumbing, gas, and mechanical). 2nd trade subcontractor requires an additional trade permit. Other miscellaneous residential fees may apply.

*Gross area includes basement, attached garage, carport, loft, and storage (excludes porches and decks).

Residential Additions (including moving house)

\$.40 per square foot of *gross area with a minimum fee of \$350 Includes one subcontractor in each trade (electrical, plumbing, gas, and mechanical). 2nd trade subcontractor requires an additional trade permit. Other miscellaneous residential fees may apply.

*Gross area includes basement, attached garage, carport, loft, and storage (excludes porches and decks).

Renovations or finish interior (no additional sf added)

\$.40 per square foot of *gross area with a minimum fee of \$250. Includes one subcontractor in each trade (electrical, plumbing, gas, and mechanical). 2nd trade subcontractor requires an additional trade permit. Other miscellaneous residential fees may apply. Building only minimum fee \$150, minimum fee \$75 per trade.

*Gross area includes basement, attached garage, carport, loft, and storage (excludes porches and decks)

Accessory Structures Only (non-commercial)

Garage, Workshop, Storage Building, Boathouse	\$100 min. + \$0.15 per sf* over 400sf
Carport, Porch, Deck, Dock	\$125
Swimming Pool, Retaining Wall	\$125
Add mechanical, plumbing, gas, insulation	\$ 75 per trade

*Calculated on total gross area

Miscellaneous Fees

3 rd trip re-inspection (and each successive trip)	\$ 75
Partial inspection	\$ 75

Inspection not ready \$ 75

Manufactured Homes

Single-Wide \$150

Double or Triple-Wide \$175

Commercial Fees

\$4.50 per \$1,000 project cost, minimum \$500 for building with subs; building only minimum fee \$300, minimum fee \$75 per trade. Other miscellaneous fees may apply.

Other Permits

ABC \$ 75

Signs \$125

**Residential Demolitions \$ 75 per structure

Mechanical/Electrical/Plumbing/Gas \$ 75

Temporary construction power (60 days max) \$ 75

Camper electrical service \$ 75

Penalty For Working Without A Permit \$200 (+ permit fee)

GC Change \$75

Add/change sub trades \$75 ea

**Commercial demolitions will be priced as Commercial Fee above, based on value of demolition.

*** Demolition bonds in the amount of 10% of estimated demolition cost, with minimum \$1,000, shall be submitted prior to commencement of demolition. Upon approved final inspection, 100% of bond will be refunded.

Expired permits

New permit may be obtained at 50% of current permit cost within first 6 months of expiration. Full permit cost if over 6 months beyond expiration.

Cancellation and/or Refunds

No refunds after first inspection (project commencement). No refunds on expired permits (no work started within 6 months of issue date).

Fire Permits

Routine Inspection \$50

Construction/Operation permits \$4.50 per \$1000 project cost, \$75 min.

Commercial Plan review fees

Non-engineered \$50

0 - 5,000 SF \$100

5,001 SF - 20,000 SF \$150

20,000+ SF \$200

