



May 2, 2016

Dear Commissioners:

Please find attached the proposed budget for the fiscal year beginning July 1, 2016 and ending June 30, 2017 (FY2016-17). Attached are Budget Issues and Budget Worksheets.

All funds in the FY2016-17 budget are balanced. This budget proposes using \$1 million 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 2016. The goals are reiterated in the budget message and the work towards meeting those goals will accelerate into the coming fiscal year (2016-2017).

Although national and state economic indicators point to an improving economy, the rural economy of Rutherford County continues to lag behind the improving economies of 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 as we continue to climb out of a nearly ten-year economic recession.

My thanks are extended to all County department heads and elected officials who worked diligently on this budget. County employees remain focused on bringing cost-effective services and excellent customer service to the citizens, property owners and guests of Rutherford County. I wish to particularly thank Finance Director Paula Roach and Deputy Finance Director Apryl Tessener 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 commendations 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 FY2016-17.

Sincerely,

Steven W. Garrison
County Manager

The Members of the Rutherford County
Board of County Commissioners

The proposed budget for Fiscal Year 2016-2017 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 2.82% of last year's adopted budget*. This budget message is divided into several sections:

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*Adjusted for the incentive reduction following the NC Department of Revenue recycling credit exemption for Horsehead Metal Products.

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Budget Issues

Similar to the FY2015-16 budget cycle, the FY2016-17 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. The unemployment rate in Rutherford County has plateaued and the rate of unemployment is higher in March of 2016 (8.3%) as compared to March of 2015 (8%). Although many of the metropolitan service areas centered around North Carolina's larger urban areas continue to experience improvements in their revenues, the rural counties such as Rutherford County still lag behind and are not experiencing the same level of economic recovery.

The FY2016-17 proposed budget (General Fund, including DSS) is \$61,942,122 an increase of \$1.69 million. The primary increases consist of the following: new sales tax for education, critical county capital needs and public safety repeaters, additional economic development incentives and \$500,000 for the upcoming 2019 property revaluation (a total of \$1.5 million will be needed to complete the project and will be recommended for the next two successive budget cycles).

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

Net property valuation is up 0.128% from FY2015-16 to \$6.3 billion but essentially flat after incentives are included. For Ad Valorem taxes, we are required to use the previous year's tax collection rate instead of the current projected collection rate. A reduction from 96.45% used in our current FY budget to 96.23% for our proposed FY2016-17 translates to a slight reduction in the available tax revenue of current year taxes available in this budget proposal. Also, with a local data storage industry phasing out the Dell server leases in favor of building their own, we project a loss of over \$321,786 to our Ad Valorem revenues.

Based upon FY2015-16 experience and recent trends, Sales Tax revenues are expected to increase \$196,126 which reflects a 2% increase, a decrease growth rate of 1% as compared to the previous year. Per capita disposable income has shown a decrease over the last several years nationally and in North Carolina. We anticipate that this trend will continue to impact our local Sales Tax projections.

Most County department budgets have been kept nearly flat to reflect the revenue issues noted above. A few departments had variances due to the change in budgeting so that County dollars could be better leveraged, such as funding for the school SROs. The County Planning Department has identified in excess of \$349,013 in critical/urgent repair and renovation needs for county facilities and properties (\$688,012 over two budget cycles). Due to FY2016-17 budget restrictions, this list has been reduced to \$289,403 in urgent projects requiring attention. \$16,040 of this projection is for the NC legislative required 9-1-1 Operations PSAP back-up center build-out and \$83,600 is needed to ensure compliance with our annual state jail inspections. The Information Technology Department has identified \$489,060 in critical/urgent needs for FY2016-17 across all departments. Due to FY2016-17 budget restrictions, this list has been reduced to \$244,240 in urgent IT needs requiring our attention.

Other budget impacts for FY2016-17 include an increase of the Medical Examiner/Coroner fee of \$20,000 and an increase in the County's Isothermal Planning Development Commission (IPDC) dues from \$15,820 to \$18,983. This does not include the additional IPDC RPO dues the county pays (\$8,754).

Commissioner Goals

The Rutherford County Board of County Commissioners met over two days in February 2016 to discuss critical and important issues and trends impacting the County and how the County government could address these issues and trends in FY2016-17. The budget is one tool available to address and fulfill the actions identified in the Commissioner goals.

Overarching Focus Points

- **Job creation**
- **Transparency – Promote good government by operating in a professional manner**
- **Support Education – K-12 and Isothermal Community College**
 - Enhanced partnerships
 - Address capital facility needs
- **Infrastructure enhancements**
 - Water, sewer, gas, roads/highways, broadband, etc.
- **Improved quality of life**
- **Public safety**
- **Build a foundation to improve service delivery and access to services**

Priority Goal #1

- **Enhance economic development and job creation opportunities**
 - Seek out and create regional partnerships
 - Increase industrial and manufacturing development

Priority Goal #2

- **Develop strategies to improve capital facilities**
 - Create joint Rutherford County School system (RCS), Isothermal Community College (ICC) and County leadership team to define long-term comprehensive funding strategies for identified capital facility needs.
 - Prioritize and develop strategies to improve County capital facilities

Priority Goal #3

- **Continue advocacy for infrastructure to promote good jobs and business opportunities**
 - Promote designation of Hwy. 74 to I-74 (or future I-74)
 - Promote completion of all components of the Hwy. 221 project
 - Promote Hwy. 221A straightening project
 - Public/private partnership for broadband planning and deployment
 - Infrastructure expansion and improvement
 - Cliffside Sanitary District
 - Water/sewer expansion to support commercial, retail, manufacturing, industrial and tourism opportunities

Priority Goal #4

- **Enhance service delivery and customer access**
 - Complete an Operations Peer Group Task Force review
 - Emergency Medical Services
 - Emergency Management
 - Invest in new technologies to create greater efficiencies in operations and improve the customer experience
 - Evaluate emergency preparedness redundancy and report findings

Additional staff county goals for FY2017 include:

- VIPER tower in Chimney Rock.
- Renovate an existing county facility to accommodate a 911 Operations PSAP back-up center.
- Complete the final segment of a feasibility study for the Cliffside Sanitary District and seek grant funds to construct new lines to connect to an existing waste treatment facility.
- Transition the Economic Development Department to a public-private model if this is supported by the current feasibility and model study.
- Receive the architectural plans, request bid proposals and begin construction of the new female facility at the County jail.
- Update the County website to increase consumer access and use.

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 FY2015-16 with \$12,058,936 in unassigned General Fund balance. During the current fiscal year, the County budgeted \$2.54 million of fund balance. Below are major uses of fund balance:

- \$377,509 of approved projects from the prior year was carried forward.
- \$1,000,000 for roof replacements at the community college
- \$381,225 for the architect and engineering costs for the Comprehensive Applied Sciences and Workforce Development Center
- \$100,000 for the architect costs related to the County jail expansion project

Through diligent review of expenditures and conservative spending by our departments, it is anticipated that the County's fund balance will not be reduced to cover any operational items of the County. Unassigned fund balance is expected to be reduced as of June 30, 2016 by \$1.5 million primarily due to the capital improvement related items as listed above. Reimbursement resolutions have been adopted to allow the County to reimburse itself for the roofs and architect and engineering fees when a financing is completed in early calendar year 2017. This reduction in unassigned fund balance is expected to be temporary.

The FY2016-17 budget proposes to use \$1 million of General Fund unassigned fund balance to address critical needs. The proposed FY2016-17 fund balance available for appropriation is estimated to be 23.4%, 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.

It is imperative that the County retain optimal levels on the Fund Balance of the General Fund. The County assumes the debt service financing for the County, Rutherford County Schools (RCS) and Isothermal Community College (ICC). RCS and ICC cannot secure debt service financing for capital building and facility projects. Reducing our Fund Balance creates high risk during the lean economic years when these funds are needed to maintain our operational expenses, capital expenses and debt service. The County maintains a good credit rating due to the management of our budget and Fund Balance, which is needed to maximize our financing opportunities.

Each year, the County “carries forward” certain grants and other projects incomplete as of fiscal year end. The multi-year projects/carry-forward items will be amended in the FY2016-17 budget after July 1 with their June 30th balances. 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.

County Debt Service

Rutherford County debt obligations are shown below.

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

Table 9

Fiscal Year	Population in thousands (Estimated)	Governmental Activities				Business-type	Total Primary Government	Percentage of Personal Income (2)	Per Capita (2)
		General Obligation Bonds	Installment Purchase (1)	Capital Leases	Revolving Fund - DENR	Capital Leases			
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	2.45%	689.78
2015	67	3,582,000	37,906,877	1,343,865	198,840	188,098	43,219,680	<i>not available</i>	645.07

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 116 for personal income and population data.

Source: Rutherford County CAFR, June 30, 2015

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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, 2015, the County audit showed a collection rate of 96.23% of real estate property tax levy. The State average is 97.57%, which is the short term target for the Revenue Department. Each percentage of unpaid delinquency is equal to \$385,000 in FY2016-17.

By State law [GS 149-113(b)(6)] the County may only budget property tax revenues based upon the prior fiscal tax collection. Even though the FY2016-17 levy is \$38.09 million, the FY2014-15 tax collection rate of 96.23% must be used for budget purposes. Therefore, the property tax revenues are only budgeted at \$36,656,389.

We are currently projecting a June 30, 2016 collection rate of approximately 96.5%. As of April 26, 2016, the real estate property tax collection rate was 94.31%. Revenue Department staff continues to work closely with Solid Waste staff to more effectively and fairly implement the Convenience Site Fee.

**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		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Original Levy		Amount	Percentage of Original Levy
2015	\$ 40,734,335	\$ 39,178,470	96.2	\$ -	\$ 39,178,470	96.2
2014	39,404,494	37,988,441	96.4	608,891	38,597,332	98.0
2013	35,511,830	33,844,505	95.3	1,049,678	34,894,183	98.3
2012	33,887,224	31,598,979	93.2	1,357,080	32,956,059	97.3
2011	33,478,863	31,210,949	93.2	1,459,951	32,670,900	97.6
2010	33,253,013	31,195,062	93.8	1,400,249	32,595,311	98.0
2009	33,213,924	31,362,647	94.4	1,295,006	32,657,653	98.3
2008	32,461,482	31,280,218	96.4	999,002	32,279,220	99.4
2007	27,557,905	26,491,335	96.1	964,663	27,455,998	99.6
2006	26,864,829	25,786,091	96.0	993,078	26,779,169	99.7

(1) Includes general fund and special districts.

Source: Rutherford County CAFR, June 30, 2015

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 was the first year Queens Gap Water District was levied 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 - Fire Service	FY 16-17 Assessed Value	FY15-16 Budget Amount	FY15- 16 Tax Rate	FY 16-17 Budget Request	Tax Rate Needed to Fund FY16-17 Budget
Bill's Creek	\$ 296,195,789	\$ 215,365	0.06	\$ 207,230	0.06
Bostic	\$ 136,853,082	\$ 98,081	0.06	\$ 101,511	0.06
Broad River	\$ 3,252,233	\$ 4,425	0.10	\$ 4,544	0.12
Cherry Mountain	\$ 192,213,284	\$ 230,528	0.09	\$ 242,355	0.10
Chimney Rock	\$ 57,989,303	\$ 37,308	0.05	\$ 34,444	0.05
Cliffside	\$ 318,329,671	\$ 209,366	0.08	\$ 345,966	0.08
Edneyville	\$ 10,371,007	\$ 1,639	0.09	\$ 12,863	0.10
Ellenboro	\$ 320,482,908	\$ 284,812	0.07	\$ 286,548	0.07
Fairfield	\$ 14,690,163	\$ 12,262	0.10	\$ 16,473	0.10
Forest City	\$ 8,092,012	\$ 7,161	0.08	\$ 6,784	0.08
Green Hill	\$ 220,000,912	\$ 191,699	0.07	\$ 198,129	0.07
Hudlow	\$ 311,204,808	\$ 311,825	0.08	\$ 315,010	0.08
Lake Lure	\$ 8,139,293	\$ 7,802	0.09	\$ 8,514	0.09
Outside Response Area	\$ 224,949,664	\$ 1,588,378	0.06	\$ 1,701,981	0.03
Polkville	\$ 36,730,903	\$ 22,090	0.05	\$ 22,482	0.05
Rutherfordton	\$ 243,832,584	\$ 270,994	0.09	\$ 278,212	0.09
Sandy Mush	\$ 308,120,040	\$ 252,284	0.05	\$ 277,515	0.08
Shiloh Danieltown Oakland	\$ 405,411,403	\$ 252,893	0.05	\$ 265,395	0.05
Shingle Hollow	\$ 112,273,334	\$ 142,800	0.10	\$ 139,047	0.10
Spindale	\$ 8,088,258	\$ 7,099	0.08	\$ 7,904	0.08
Union Mills	\$ 150,591	\$ 95,620	0.05	\$ 101,568	0.05

Cliffside Sanitary Service	\$ 6,344,805	\$ 6,024	0.08	\$ 6,122	0.08
Queens Gap	\$ 1,653,500	\$ 4,996	0.313	\$ 4,996	0.313

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 2% increase.

Sales Tax Projection as of April 15, 2016

	BUDGET	Actual/Projected 2015-2016	2015- 2016		RECOMMENDED 2016-2017
	2015-2016		VARIANCE (Budget/Actual)		
Article 39	4,805,892	4,864,891	58,999	1.2%	4,962,188
Article 40	3,292,717	3,312,438	19,721	0.6%	3,378,687
Article 42	2,356,810	2,384,237	27,427	1.2%	2,431,922
Mun H.H. 42	(99,842)	(101,298)	(1,456)	1.5%	(103,324)
Mun H.H. 39	(632,779)	(653,958)	(21,179)	3.3%	(667,038)
Total	9,722,798	\$ 9,806,310	\$ 83,512	0.86%	\$ 10,002,436

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.

As of the April 2016 sales tax distribution, staff is projecting a 0.86% increase over budget or approximately \$83,500. At this time, it is not anticipated that additional sales tax revenues would be available for appropriation.

Based upon prior Board policy, the School Capital Account portion of the Debt Service Fund is expected to have a negative balance of \$1,222,192 at the end of FY2015-16 as presented in [Appendix C](#).

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 (\$550,000) are estimated to decrease slightly from FY2015-16 to FY2016-17 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 annually for school facilities rather than \$550,000.

Other Revenues

All other revenues are remaining flat including those relating to property sales and construction (Register of Deeds and Building Inspection).

K-12 Education and Isothermal Community College

Increased allocations below for the schools and the college are primarily funded by the new sales tax distribution as a result of the NC 2015-17 budget bill (Session Law 2015-241). This article 44 sales tax distribution (GS 105-524) is expected to be \$1,005,042 for Rutherford County. Proceeds distributed to the County are restricted to be used for only education or economic development purposes. ICC capital set aside funds have been increased to an annual allocation of \$200,000 utilizing a portion of these funds. The remaining article 44 sales tax was allocated to the school’s current expense and capital needs.

The current expense allocation to the schools also includes \$240,863 for the school SROs (portion previously direct funded by the County). Beginning July 1st, funds will be sent to the schools for the SROs and RCS and Thomas Jefferson Classical Academy will be billed for 100% of the cost of the SROs stationed at their respective schools. The Rutherford County School System and Isothermal Community College made presentations to the County Commissioners on April 6th.

EDUCATION FUNDING

	FY13-14 Approved	FY14-15 Approved	FY15-16 Approved*	FY16-17 Requested	FY16-17 Recommended
County Depts. excluding Schools/College	\$34,122,172	\$39,749,682	\$38,225,604	40,881,736	39,551,117
Public Schools Current Expense	12,499,713	12,669,713	13,095,375	15,464,415	13,598,146
Schools Capital Outlay	1,001,015	554,388	192,242	2,185,227	845,908
Isothermal College (ICC)	1,957,588	2,184,724	2,212,747	2,231,675	2,231,675
ICC Capital Outlay	162,064	277,064	1,162,064	162,064	200,000
Economic Incentives*	2,605,086	5,138,943	4,415,843	4,681,040	4,681,040
Other	1,804,807	1,196,445	938,687	1,143,684	834,236
Total*	\$54,152,445	\$61,770,959	\$60,242,562	66,749,841	61,942,122
<i>*FY15-16 Economic Incentives and Total Budget adjusted to exclude incentives originally included in the original budget for Horsehead. At the time of budget approval recycling exemption amount was unknown. Original FY15-16 Budget as adopted was \$63,008,137.</i>					

Special Appropriations and Other Expenditures

The County received requests from four new non-profit agencies requesting consideration for funding for FY2016-17. Although we recognize these agencies as good community partners who provide critical services to our citizens, the projected revenues for FY2016-17 will not support the addition of these expenditures to the County budget.

The recommended budget includes \$41,731 for engineering to assist the Town of Spindale with the sewer expansion Golden LEAF grant project recently awarded. This funding will provide approximately 5% of the required 20% match helping to leverage grant funds for critical economic infrastructure project that will benefit both the Town and the County.

Health Department

The Health Department received the final contribution of \$56,014 in FY2015-16 of a three-year planned increase approved by the three counties making up Rutherford-Polk-McDowell Health Department. An increase in fees is not included in this budget. The request for an additional staff member was not funded.

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.

Emergency Medical Service

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, 2016 or the funding to that rescue squad will be reallocated to the capital outlay line item within the EMS budget. The two non-county managed rescue squads (Rutherford County Rescue and Hickory Nut Gorge EMS & Rescue) requested increases of the county contributions to their operations this year, which the county does not have sufficient funds available to accommodate their requests. Rutherford County Rescue requested an additional \$81,123 and Hickory Nut Gorge EMS & Rescue requested an additional \$193,090.

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. Due to the lack of growth in our projected revenues and the increase in needed expenditures, the FY2106-2017 will not support an incremental salary adjustment for staff.

We are 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. It is critical that the County complete an updated pay classification study as the County is not keeping pace with our neighboring counties and municipalities and we are losing valuable staff to these government entities. Administration continues to observe turnover in critical staff areas, which places a burden on the department to provide core services and this places a financial burden on the county as additional funds are needed for training, education and certifications of new staff. One example of this is demonstrated in our Building Inspections Department where we continue to lose staff to neighboring counties, Rutherford County municipalities and other government entities. It generally takes in excess of two years for a new Building and Fire Inspector to acquire all of the certifications needed to perform their jobs and the county will generally spend on average \$12,000 per Building and Fire Inspector to acquire their level I, II and III certifications. The last pay class study completed for Rutherford County was in 2004. Budgeting each year with incremental salary adjustments across all departments is insufficient as

disparities may exist between staff positions across departments. Implementation of a salary adjustment plan based on the findings of a pay class study could be stretched out over multiple budget cycles to ensure that the County has the financial capacity to fund any increases needed to make Rutherford County more competitive in the regional job market.

Position Changes

Several position reclassifications or new positions were requested by the departments for FY2016-17. As the current revenues projected for FY2016-17 will not support new positions or reclassifications that are not part of an employee's required staff certification, this budget is limited to the following. The recommended budget includes converting a part-time position to a full-time library assistant for the Haynes Library, two social work supervisor III positions, an income maintenance supervisor II (child care subsidy, work first and program integrity) and an income maintenance caseworker II (child care subsidy). These positions have been funded by additional program revenues or budget reductions within the departments to offset the County cost of the positions. Two additional part-time call takers have been increased to 29 hours per week (with retirement benefits) to help during peak times in all operations. Due to specialized training required for the positions, part time staffing availability is limited. Reclassifications include the EMS Compliance and Privacy Officer, Social Services Legal Assistant and Processing Assistant IV and Solid Waste Utility Worker.

Retirements

Several retirements are expected in FY2016-17 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 FY2016-17 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 2017. Our allocation of funds for dental insurance is not anticipated to increase for this fiscal year. The local government retirement allocation is expected to increase by 2.25% and the law enforcement officer retirement allocation is expected to increase by 4.2%.

Thanks in part to the efforts of our Human Resources Department, department heads and staff to implement and practice good work place safety measures and procedures, our worker's compensation and property liability budget allocations are expected to remain essentially flat.

9-1-1 Fund

Total revenues and expenditures are \$785,001 (\$485,368 estimated revenues and \$299,633 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 \$598,500 in 9-1-1 fund reserves as of June 30, 2016 that it would like to use towards telecommunication improvements but cannot due to this restrictive law.

Grant Fund

The recommended FY2016-2017 grant fund is comprised of the following continuing grants:

- Airport Improvements
- Urgent Repair Program
- 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	
Airport Grants Vision 100	\$ 150,000
County Airport Match	\$ 16,667
<hr/>	
Total Revenues	\$ 166,667
EXPENSES	
Airport Projects	\$ 166,667
<hr/>	
Total Expenses	\$ 166,667

If the Board approves, carry over balances from FY2015-2016 grants will be re-budgeted with June 30, 2016 unexpended balances.

Transit Fund

The Transit Advisory Board has submitted the following budget:

REVENUES	
Elderly & Handicap Funds	\$ 68,000
State Grant RGP	\$ 75,000
State Administration Grant	\$ 169,950
NCDOT Road Work First Grant	\$ 18,000
State Grant Vehicle Purchase	\$ 157,950
Sale of Transit Property	\$ 9,000
State Grant Equipment	\$ 9,756
<u>Contribution from Outside Agencies</u>	<u>\$ 704,964</u>
 Total Revenues	 \$1,212,620

Salaries/Fringe	\$ 642,742
Operations (other than below)	\$ 165,040
Capital Outlay	\$ 189,040
Fuel	\$ 122,257
Insurance	\$ 73,541
<u>General Fund Indirect Costs</u>	<u>\$ 20,000</u>

Total Expenses **\$ 1,212,620**

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

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. Our contract with Republic for hauling residential/business waste to an out-of-county waste collection facility will increase by 2%.

The Solid Waste Department faced multiple challenges during FY2015-16, which will have an impact on our future revenue projections and will impact expenditures. Due to State and national economic impacts and legislative impacts on the electronics, textiles, metal and fuel markets, our electronics, white goods, tires, oil and textile recycling programs are negatively impacted. The Department has made numerous budget reductions and reprioritizations for FY2016-17 rather than place an additional burden on our citizens. This will also provide the department with more time to gauge the markets going in to the next fiscal year before strategies are developed to offset the increase in expenditures and reduction in revenues for these funding streams. As was mentioned in the FY2015-16 budget message, the County Code language relative to Solid Waste is not consistent with current practices and State law/regulations. Administrative staff worked with the Solid Waste Director and County Attorney to complete a preliminary review of the current ordinance. Our consensus is that the current ordinance is antiquated and outdated in its current state and will require the services of a consultant to rewrite the ordinance in its entirety including the inclusion of current and relevant general statutes and code. The FY2016-17 budget includes an expenditure of \$12,000 for this service.

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

REVENUES

Household User Fees	\$2,017,100
Tipping Fees	\$1,598,000
Recycling Revenues	\$ 100,000
NC DENR (\$2 ton) Fees	\$ 60,000
Misc Collections	\$ 100
Tire Disposal	\$ 94,000
White Goods	\$ 22,000
Interest Earnings	\$ 3,128
NCDENR Waste Reduction Grant	\$ 12,003
License Fees	\$ 700
Electronics Management	\$ 4,000
Contracted Services	\$ 30,650
Sale of County Property	\$ 6,000
<u>Solid Waste Disposal Tax</u>	<u>\$ 36,000</u>

Total Revenues **\$3,983,681**

EXPENSES

<u>Collections</u>	
Salaries/Fringe	\$ 622,184
Fuel	\$ 76,000
Operations	\$ 244,109
General Fund Indirect Costs	\$ 82,017
Transfer to Vehicle/Equipment	\$ 21,554
<u>Capital Outlay</u>	<u>\$ 45,003</u>

Total Collections **\$1,090,867**

<u>Disposal</u>	
Salaries/Fringe	\$ 515,535
School Recycling Position	\$ 13,000
Waste Disposal Contract	\$ 1,524,262
NC DENR Fees (\$2 ton)	\$ 74,000
General Fund Indirect Costs	\$ 109,312
Operations	\$ 480,635
Capital Outlay	\$ 41,956
<u>Transfer to Vehicle/Equipment</u>	<u>\$ 134,114</u>

Total Disposal **\$ 2,892,814**

Total Expenses **\$ 3,983,681**

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Summary of Recommended Budgets for all Funds

	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$47,098,306	\$47,098,306
DSS Fund	\$14,843,816	\$14,843,816
Airport Fund	\$ 465,305	\$ 465,305
Vehicle/Equipment Replacement	\$ 2,263,152	\$ 2,263,152
Telephone Internal Service Fund	\$ 130,944	\$ 130,944
SAN Upgrade Internal Service Fund	\$ 83,334	\$ 83,334
E911 PSAP Fund	\$ 785,001	\$ 785,001
ROD Automation Enhancement	\$ 45,020	\$ 45,020
Grant Fund	\$ 166,667	\$ 166,667
ICC Capital Reserve Fund	\$ 200,000	\$ 200,000
Debt Service Fund	\$ 5,882,775	\$ 5,882,775
Service District Funds	\$ 4,585,593	\$ 4,585,593
Transit Fund	\$ 1,212,620	\$ 1,212,620
Solid Waste Fund	\$ 3,983,681	\$ 3,983,681
GRAND TOTAL ALL FUNDS	\$81,746,214	\$81,746,214

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Appendix A: "Change in Fund Balances of Governmental Funds Last Ten Fiscal Years"

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues										
All valorem taxes	\$ 40,125,882	\$ 39,856,685	\$ 35,157,298	\$ 32,963,905	\$ 32,401,810	\$ 32,411,413	\$ 32,118,994	\$ 32,258,449	\$ 27,326,881	\$ 26,792,167
Local option sales taxes	10,134,926	9,925,498	9,697,197	10,471,306	9,251,948	9,371,128	11,275,726	13,369,301	13,200,333	12,262,177
Other taxes and licenses	-	-	-	-	550,114	526,459	526,459	707,252	683,615	623,110
Restricted intergovernmental	14,416,168	12,083,972	16,762,561	13,478,963	13,218,233	13,960,162	13,326,718	13,698,050	12,480,538	11,213,535
Permits and fees	786,701	823,972	903,651	772,861	733,459	799,562	861,720	1,177,290	1,435,366	1,439,013
Sales and services	4,018,899	3,959,190	3,598,872	3,199,137	3,047,002	3,080,873	3,119,947	3,801,501	3,674,300	2,882,579
Investment earnings	16,803	15,268	40,674	85,288	74,905	134,324	471,754	1,084,487	1,243,368	1,012,369
Miscellaneous	265,355	347,267	12,458,793	15,657,035	626,673	287,325	527,821	729,808	590,273	415,034
Total revenues	69,764,734	67,011,852	78,619,046	70,638,495	59,903,244	60,571,248	62,229,139	66,826,138	60,674,694	56,640,384
Expenditures										
Current:										
General government	6,321,036	6,402,576	6,238,861	6,422,596	6,074,636	5,895,454	6,615,187	11,334,882	6,609,488	5,641,902
Public safety	16,597,186	16,352,487	15,947,477	15,347,491	14,528,593	14,526,559	14,868,059	14,220,359	12,897,402	11,541,916
Environmental protection	133,367	134,975	123,785	131,200	172,641	184,030	164,382	127,250	125,124	130,655
Economic and physical development	11,064,920	11,760,028	11,734,567	3,797,851	4,102,277	2,384,886	4,081,840	4,856,946	3,849,835	3,913,258
Human services	15,134,073	13,773,350	13,183,622	13,353,462	13,614,958	13,442,160	14,844,012	16,521,713	16,037,237	15,521,178
Cultural and recreational	572,728	619,811	1,213,149	643,028	701,926	943,010	737,637	757,187	647,449	444,650
Intergovernmental:										
Education	15,792,286	14,457,201	14,162,820	14,162,820	13,883,820	14,059,565	14,480,287	13,967,220	13,053,968	12,513,922
Capital outlay	1,392,788	1,224,890	544,313	123,750	384,755	2,488,388	10,782,995	5,249,596	6,372,376	3,896,087
Debt service	-	-	-	-	-	-	-	-	-	-
Principal	51,094,918	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
Interest	1,513,422	1,744,736	2,324,697	3,929,516	2,997,327	2,986,706	3,060,136	2,754,717	2,363,101	2,282,307
Total expenditures	73,716,724	71,764,808	70,720,325	70,878,552	64,864,303	64,481,590	76,446,193	76,084,234	67,600,437	60,877,069
Excess of revenues over (under) expenditures	(3,951,990)	(4,752,956)	7,898,721	5,749,943	(4,961,059)	(3,910,342)	(14,217,054)	(9,258,096)	(6,925,743)	(4,236,685)
Other financing sources (uses)										
Transfers from other funds	437,415	482,049	508,599	1,570,552	6,093,683	16,900,905	20,371,579	18,941,579	14,482,382	14,356,170
Transfers to other funds	(562,415)	(1,156,154)	(633,599)	(1,695,552)	(6,218,683)	(17,025,905)	(19,493,379)	(19,066,579)	(14,607,382)	(14,436,533)
Capital lease financing	872,803	598,500	-	-	-	-	-	-	-	-
Installment obligations issued	1,800,000	-	1,066,500	-	729,579	2,000,000	5,803,838	18,454,270	7,905,800	5,637,800
General obligation debt issued	-	-	-	-	-	-	-	1,555,000	-	1,520,000
Economic loan, net	100,000	100,000	(400,000)	-	-	-	-	-	-	-
Refunding bonds issued	-	11,473,000	8,425,000	24,831,960	-	-	-	-	-	-
Print to refunded bond escrow agent	-	(11,366,646)	(8,266,667)	(15,835,431)	-	-	-	-	-	-
Sale of capital assets	179,754	48,253	44,006	75,087	3,156,244	58,532	-	-	-	-
Total other financing sources (uses)	2,827,557	179,002	744,439	8,947,216	3,760,823	1,933,532	6,682,638	19,884,270	7,780,800	7,077,437
Net change in fund balances	\$(1,124,433)	\$(4,573,954)	\$ 8,643,160	\$ 14,697,159	\$(1,200,236)	\$(1,976,810)	\$ 7,535,016	\$ 10,626,174	\$ 855,657	\$ 2,840,752
Debt services as a percentage of noncapital expenditures	9.28%	9.98%	10.79%	23.88%	17.68%	17.18%	15.03%	12.77%	13.08%	12.83%

Source: Rutherford County CAFR, June 30, 2015

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

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

Table 3

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Fund										
Reserved	\$ 499,280	\$ 847,608	\$ 626,072	\$ 103,232	\$ 278,797	\$ 3,761,124	\$ 3,680,844	\$ 4,074,203	\$ 4,126,704	\$ 3,920,463
Unreserved	5,017,086	4,234,132	6,931,059	3,339,563	2,837,483	11,916,835	13,196,079	12,751,211	10,891,729	10,519,641
Total General Fund	\$ 5,516,366	\$ 5,081,740	\$ 7,557,131	\$ 3,442,795	\$ 3,116,280	\$ 15,677,959	\$ 16,876,923	\$ 16,825,414	\$ 15,018,433	\$ 14,440,104
All other governmental funds										
Reserved						\$ 391,364	\$ 686,472	\$ 556,972	\$ 1,805,359	\$ 1,324,037
Unreserved, reserved in:										
Debt service fund						6,640,609	5,811,482	8,080,868	4,246,534	3,959,633
Special revenue funds						2,358,646	3,670,511	9,117,150	2,883,906	3,375,401
Capital projects funds						9,390,619	10,168,465	17,754,990	8,935,799	8,659,071
Total all other governmental funds						\$ 18,480,838	\$ 20,336,920	\$ 28,469,912	\$ 27,871,458	\$ 26,628,142
General Fund										
Nonspendable	\$ -	\$ 847,608	\$ 626,072	\$ 103,232	\$ 278,797	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	5,017,086	4,234,132	6,931,059	3,339,563	2,837,483	3,761,124	3,680,844	4,074,203	4,126,704	3,920,463
Assigned	234,129	1,940,740	814,721	1,043,000	1,657,769	11,916,835	13,196,079	12,751,211	10,891,729	10,519,641
Unassigned	12,058,936	12,831,162	9,947,932	12,526,592	12,797,792	15,677,959	16,876,923	16,825,414	15,018,433	14,440,104
Total General Fund	\$ 19,310,251	\$ 19,853,642	\$ 18,319,784	\$ 17,602,387	\$ 17,571,841	\$ 31,355,948	\$ 33,574,746	\$ 34,705,627	\$ 34,954,870	\$ 33,880,617
All other governmental funds										
Nonspendable	\$ -	\$ 9,093	\$ -	\$ 18,149	\$ 19,844	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	20,743,981	19,773,096	26,155,252	20,234,076	4,173,042	3,761,124	3,680,844	4,074,203	4,126,704	3,920,463
Assigned	-	1,597,988	1,432,737	-	559,791	11,916,835	13,196,079	12,751,211	10,891,729	10,519,641
Unassigned	-	-	-	-	1,543,823	15,677,959	16,876,923	16,825,414	15,018,433	14,440,104
Total all other governmental funds	\$ 20,743,981	\$ 21,380,177	\$ 27,583,989	\$ 20,252,225	\$ 6,296,500	\$ 15,677,959	\$ 16,876,923	\$ 16,825,414	\$ 15,018,433	\$ 14,440,104

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

Source: Rutherford County CAFR, June 30, 2015

