



CHEROKEE COUNTY

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May 15, 2023

CHEROKEE COUNTY BUDGET MESSAGE Fiscal Year 2023-2024

In accordance with North Carolina General Statute §159-11, the Cherokee County Fiscal Year (FY) 2023-2024 recommended budget is respectfully submitted for your review and consideration. The recommended budget sets forth a plan of operation for all county departments, programs, and capital projects for the coming fiscal year. This recommended budget is balanced in accordance with the Local Government Budget and Fiscal Control Act with total revenues and expenditures for all funds totaling \$58,271,787.

Introduction

Cherokee County's FY 2023-2024 recommended budget is designed to function as a plan in guiding departmental operations and funding partner agencies to accomplish the goals and objectives communicated by the Board of Commissioners.

This recommended budget is presented with the following more notable highlights:

- **No increase to the property tax millage rate of 61 cents**
- **No increase in fees**
- \$500,000 addition to the General Fund Balance
- \$2,928,572 addition to designated General Fund Balance for the July 15, 2024 DSS suit settlement payment
- An increase in budgeted sales tax proceeds of 7% or approximately \$805,466 over FY23 approved budget
- An increase in budgeted TVA Payments in Lieu of Taxes (PILT) of \$250,000
- 2% Cost of Living Adjustment
- Operational expansion of the Solid Waste Program – staffing of the Texana and soon to be developed Unaka solid waste convenience sites - \$64,831
- \$400,000 appropriated as Contingency to address unexpected needs or opportunities
- \$133,234 increase in funding to Valley River Humane Society

- \$192,000 increase in insurance & bonding
- \$1,567,841 use of General Fund Balance for major capital needs:
 - Articulating dump truck - \$260,000
 - Front-loader solid waste collection truck - \$393,710
 - Frazier ambulance remounts (3 units) - \$664,131
 - Health Department flooring system replacement - \$250,000
- 64.9% of the general fund expenditures are allocated to the following functions:
 - Public Safety - 27%
 - Human Services - 23%
 - Education – 14.9%

We continue to monitor legislative changes coming out of both the Federal Government and our State Legislature that could impact our local budgeted revenues and expenditures and will communicate such information to the Board to address any necessary changes prior to their adoption of the FY2024 Budget Ordinance. We also continue to review current and future forecasted economic indicators that could have significant impacts to the FY2024 budget.

An expenditure schedule by function and department for the FY 2023-2024 recommended budget is provided at the end of this message as Attachment A.

Total County Funds

The FY 2023-2024 recommended budget for all Cherokee County Funds has an annual budget totaling \$58,271,787. The County has established an annual budget for seven separate funds. These funds can be further paired into the following fund groupings:

**Cherokee County
Budget by Fund
Fiscal Year 2023-2024**

General Fund	<u>\$54,984,554</u>	94.4%
Special Revenue Funds:		
Revaluation Reserve Fund	125,130	0.2%
911 Fund	319,103	0.5%
Deed Trust Fund	8,000	0.1%
Fines and Forfeitures Fund	120,000	0.2%
Representative Payee Fund	250,000	0.4%
Fire Districts	2,125,000	3.6%
Bear Paw Service District	<u>340,000</u>	<u>0.6%</u>
Total Special Revenue Funds	\$ 3,287,233	5.6%
 County Total	 <u><u>\$58,271,787</u></u>	 <u>100%</u>

General Fund- The general fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, sales taxes, federal and state grants, and various other taxes and user fees. The primary expenditures are for general government services, public safety, human services, and education.

Special Revenue Funds- Special Revenue Funds are used to account for specific revenue sources that are legally restricted to expenditures for specific purposes. The County will maintain seven Special Revenue Funds: Revaluation Reserve Fund, 911 Fund, Fire Districts Fund, Bear Paw Service District Fund, Deed Trust Fund, Fines and Forfeitures Fund and the Representative Payee Fund.

Capital Projects Funds- Capital Projects Funds are used to account for the financial resources to be used for the acquisition and construction of major capital facilities. These funds have a project budget as opposed to an annual budget.

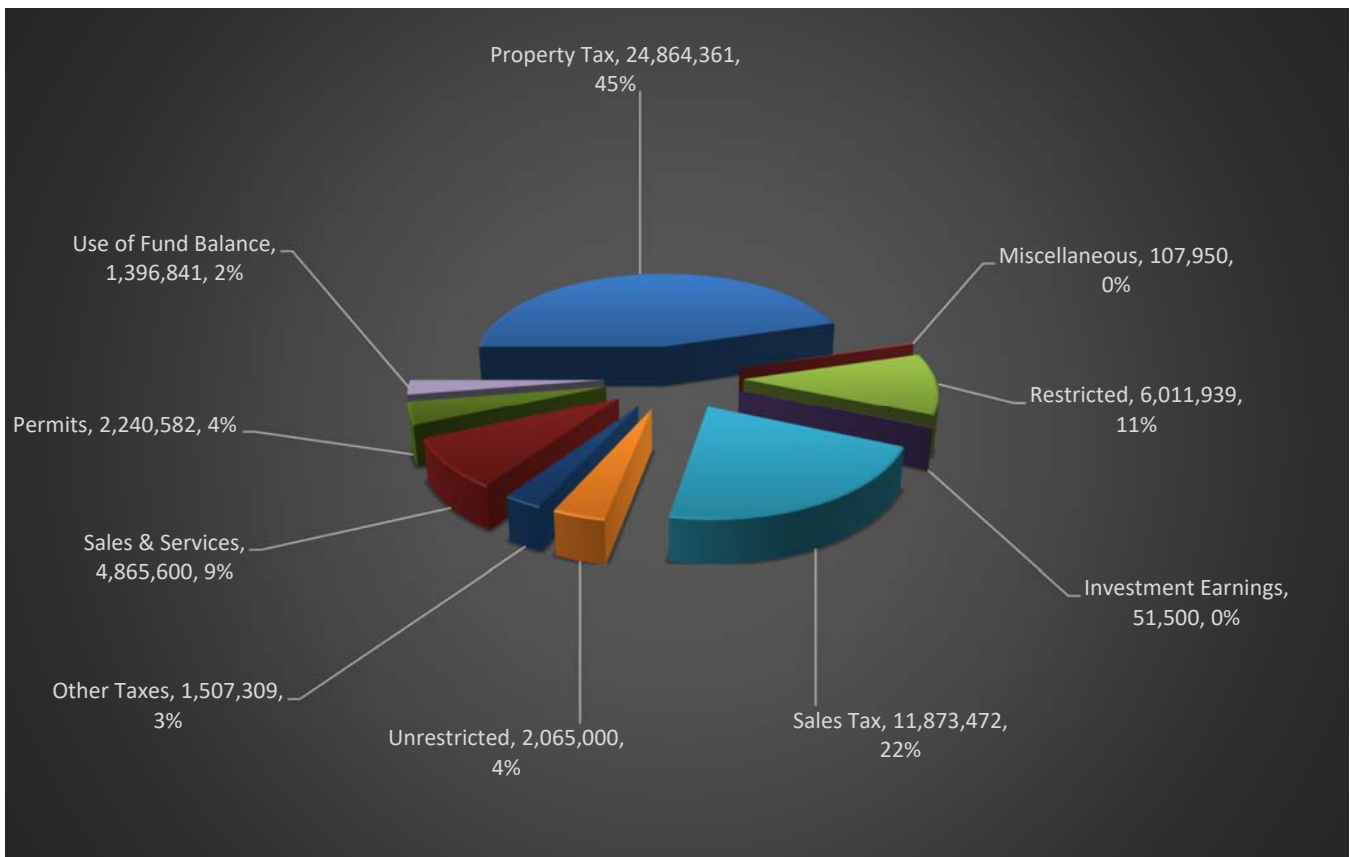
Enterprise Funds- Enterprise Funds are used to report any activity for which a fee is charged to external users for goods or services. Cherokee County does not currently have an active enterprise fund.

General Fund Revenues by Category

The General Fund with estimated revenues totaling \$54,984,554 derives its revenues from a variety of sources as shown below:

**Cherokee County
Sources of County Revenue
FY 2023-2024**

	Recommended	% of Total
Property Tax	24,864,361	45.2%
Miscellaneous	107,950	0.2%
Restricted	6,011,939	10.9%
Investment Earnings	51,500	0.1%
Sales Tax	11,873,472	21.6%
Unrestricted	2,065,000	3.8%
Other Taxes	1,507,309	2.7%
Sales & Services	4,865,600	8.9%
Permits	2,240,582	4.1%
Use of Fund Balance	1,396,841	2.5%
	\$54,984,554	100.0%



The County's largest revenue source is derived from ad valorem property taxes. For FY 2023-2024 The ad valorem property tax rate of 61 cents **per \$100 of valuation** provides \$24,864,361, or 45.2%, of the total General Fund Budget, which includes current and prior years collections for both real and personal property, interest and penalties. Cherokee County is experiencing increased service demand across all County operations.

Our Tax Collection staff continues to work diligently toward improvements in our collection methods. As the property tax remains the only substantial revenue source controlled locally, it is imperative to maintain a high collection rate to provide an equitable distribution of taxes. The FY22 actual property tax collection rate of 98.33% and auto tax collection rate of 99.86% was used in our FY24 projection.

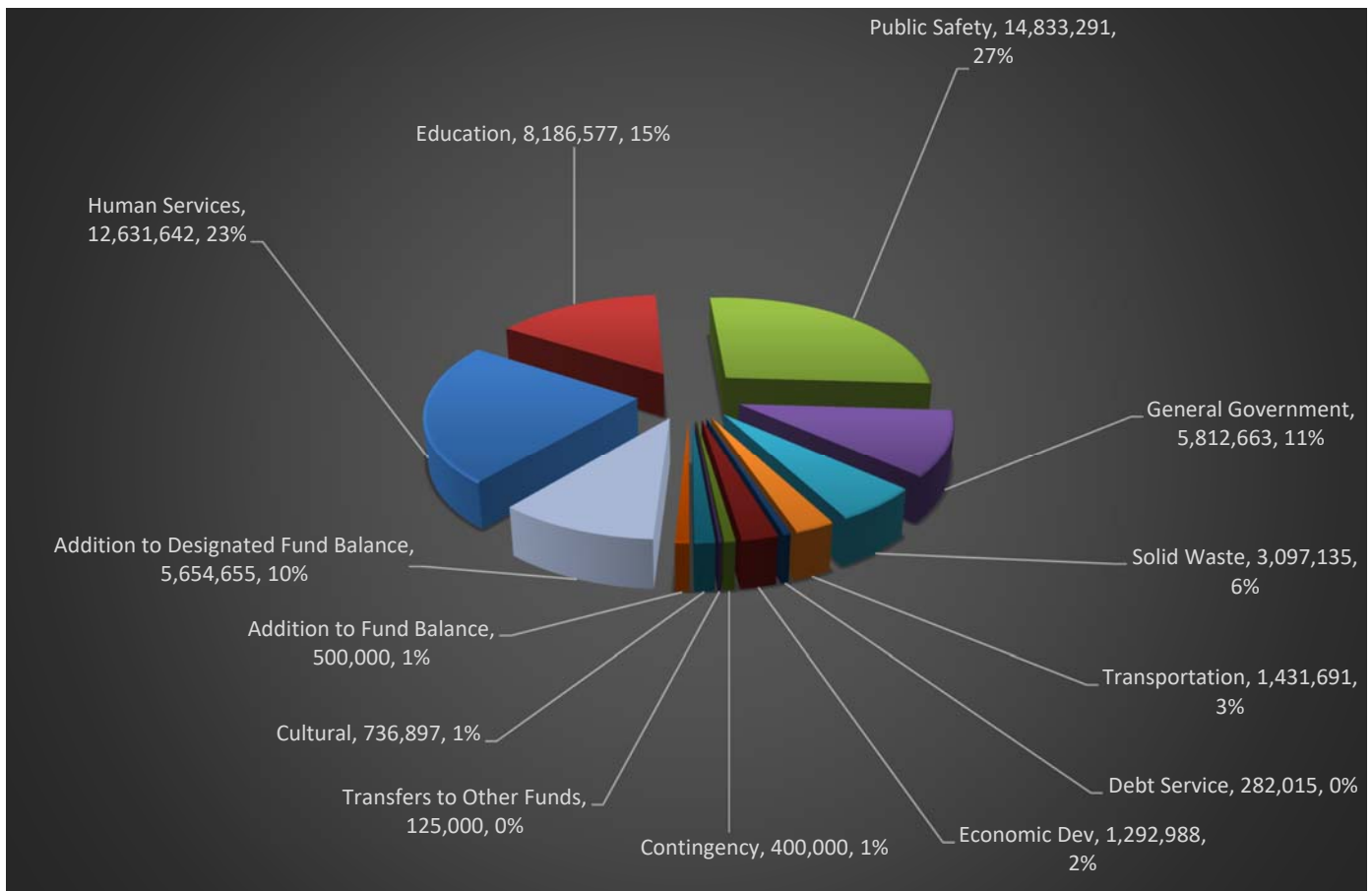
Sales tax revenues account for our second largest, unrestricted, revenue source. For nearly two years now, sales tax revenues have exceeded all projections and expectations. Cherokee County sales tax revenues have grown at rates not seen in many years, or ever. However, the trend is starting to see that growth slow in fiscal year 2023. Where the County has been experiencing 21% and 12% growth in fiscal year 2021 and 2022, the North Carolina League of Municipalities is projecting a FY23 growth of only 3.75% in sales tax revenues. We continue to be concerned with when, and to what degree, Cherokee County may begin to see a downturn in sales tax proceeds. We are therefore conservatively budgeting our sales tax proceeds to remain relatively flat and thereby generating estimated sales tax proceeds of \$11,873,472 or 21.6% of the total General Fund Budget. The FY24 projection is approximately 2% higher than fiscal year 2022 actuals and 3% lower than the projected collections for fiscal year 2023.

General Fund Expenditures by Category

The General Fund budget totaling \$54,984,554 is comprised of separate expenditure categories as shown below.

**Cherokee County
Expenditures by Function
FY 2023-2024**

	Recommend	% of Total
Human Services	12,631,642	23.0%
Education	8,186,577	14.9%
Public Safety	14,833,291	27.0%
General Government	5,812,663	10.6%
Solid Waste	3,097,135	5.6%
Transportation	1,431,691	2.6%
Debt Service	282,015	0.5%
Economic Dev	1,292,988	2.4%
Contingency	400,000	0.7%
Transfers to Other Funds	125,000	0.2%
Cultural	736,897	1.3%
Addition to Fund Balance	500,000	0.9%
Addition to Designated Fund Balance	5,654,655	10.3%
	54,984,554	100%



The following information details some of the more notable changes presented in the FY 2023-2024 recommended budget.

We are recommending \$400,000 appropriated as Contingency to address unexpected expenses. This amount of contingency appropriation is low based on the fact that contingency has historically been fully utilized well before the end of the fiscal year.

Operations and Capital

Personnel –

For FY24, we are recommending the addition of one full-time and four part-time positions. These positions are spread across the following departments:

- **Department of Social Services** – 1 full-time position (1 social worker III)
- **Solid Waste** – 4 part-time convenience site attendants (2 part-time convenience site attendants for the Texana site and 2 part-time convenience site attendants for the soon to be developed Unaka site)

The FY 2023-2024 budget recommendation includes a 2% cost of living adjustment (COLA) at \$403,227, including wages, taxes, and benefits. In 2021, the consumer price index rose 4.7%; and in 2022 it rose another 8%. For 2023, it is at an average increase of 5.6% as of April. That is a total average increase of 18.3% in 2 years and 4 months. Due to these current economic conditions, it is important to include a COLA in the 2024 budget year.

Use of Fund Balance for Specific Capital Items-

An amount of \$1,396,841 has been appropriated from Unassigned Fund Balance for inclusion in this recommended budget. This amount is for the 4 large capital items listed above that are not replaced as part of regular operations.

Other Funds

Through the annual budget process, the Board of Commissioners also sets the tax rates for special tax districts set up as service districts. These districts include the 15 volunteer fire districts served by 13 Volunteer Fire Departments and the Bear Paw Service District.

Bear Paw Service District will notify us in June as to their Board’s approval of their FY 2023-2024 service district tax rate.

The table below does not reflect an increase in any of the millage rates for FY2024. Any increases in fire tax district rates should occur only after conversations between the Board of Commissioners and the respective Volunteer Fire Department after community meetings are held to educate and inform taxpayers on the justifications and to gauge community support.

**Cherokee County
Special Tax Districts
FY 2023-2024**

Fire Districts - Fund # 28	Tax Rates	Estimated
<u>Rural Fire District</u>	<u>2023-24</u>	<u>Revenues</u>
Fire District – Collection Fees	-	9,000
Bellview	0.049	110,000
Brasstown	0.041	17,000
Culberson	0.054	106,000
Grape Creek	0.060	46,000
Hanging Dog	0.059	84,000
Hiwassee Dam	0.064	285,000
Hot House	0.035	78,000
Martins Creek	0.034	97,000
Murphy Rural	0.099	405,000
Peachtree	0.065	258,000
Ranger	0.047	213,000
Tipton Creek	0.041	3,000
Unaka	0.038	40,000
Valleytown	0.054	351,000
Violet	0.064	23,000
Total Fire Districts		2,125,000
Bear Paw Service District - Fund # 29		
Bear Paw Service District	0.380	340,000

Conclusion

Thank you to the Board of Commissioners for their support and guidance over the current year and toward the FY2024 budget development process. I want to express my appreciation to our great County staff for their assistance in the preparation of the FY 2023-2024 recommended budget and for their constant dedication to the citizens and visitors we serve. As always, a very special note of appreciation to our Chief Financial Officer for her sound counsel and the many hours spent gathering, maintaining and analyzing the data necessary to perform this task responsibly and effectively.

The Fiscal Year 2023-2024 recommended budget sets forth a plan of spending that supports effective service delivery, maintains a strong financial position and reflects sound management of the County's resources. We are pleased to present to you a recommended budget that will responsibly address our operational and capital needs in the coming fiscal year while protecting the fiscal health of Cherokee County for the future.

This budget message may be accessed on the internet at www.cherokeecounty-nc.gov, or at the office of the Clerk to the Cherokee County Board of Commissioners.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Randy Wiggins". The signature is fluid and cursive, with a long horizontal stroke at the end.

Randy Wiggins
Cherokee County Manager

Attachment A

Cherokee County
Budget by Department
Fiscal Year 2023-2024

<u>General Fund</u>	<u>FY 2023-2024 Budget</u>
PARKS & RECREATION	488,741
MUSEUM	55,511
LIBRARY	192,645
TOTAL CULTURAL & RECREATION	736,897
LONG TERM DEBT SERVICE	282,015
TOTAL DEBT SERVICE	282,015
COOPERATIVE EXTENSION	211,456
ECONOMIC DEVELOPMENT	40,750
SOIL & WATER	127,391
SPECIAL APPROPRIATIONS	913,391
TOTAL ECONOMIC DEVELOPMENT	1,292,988
SCHOOLS	7,262,296
COMMUNITY COLLEGE	924,281
TOTAL EDUCATION	8,186,577
GOVERNING BOARD	294,554
ADMINISTRATION	272,226
INFORMATION TECHNOLOGY	920,331
FINANCE	714,780
TAX ASSESSOR	635,763
LAND RECORDS	212,700
TAX COLLECTOR	341,861
COURT FACILITIES	43,390
BOARD OF ELECTIONS	377,813
REGISTER OF DEEDS	706,813
PUBLIC BUILDINGS/MAINTENANCE	714,182
CENTRAL SERVICE	578,250
TOTAL GOVERNMENTAL	5,812,663

MENTAL HEALTH	75,000
HEALTH DEPARTMENT	3,282,170
SOCIAL SERVICES	8,253,569
VETERANS SERVICES	132,882
SENIOR CENTER	596,710
SPECIAL APPROPRIATIONS	291,311
TOTAL HEALTH & HUMAN SERVICES	12,631,642
CONTRIBUTIONS TO OTHER FUNDS -	125,000
TOTAL TRANSFERS TO OTHER FUNDS	125,000
SHERIFF	4,205,417
DETENTION CENTER	3,358,561
911 ADDRESSING	117,375
CENTRAL DISPATCH	1,043,853
EMERGENCY MANAGEMENT	309,409
EMERGENCY MEDICAL SERVICE	4,793,589
ANIMAL CONTROL	262,034
CODE ENFORCEMENT	533,935
MEDICAL EXAMINER	60,000
SPECIAL APPROPRIATIONS	149,118
TOTAL PUBLIC SAFETY	14,833,291
TOTAL SOLID WASTE	3,097,135
TRANSPORTATION	925,025
AIRPORT OPERATIONS	506,666
TOTAL TRANSPORTATION	1,431,691
CONTINGENCY	400,000
ADDITION TO FUND BALANCE	500,000
ADDITION TO RESTRICTED/DESIGNATED FUND BALANCE	5,654,655
TOTAL GENERAL FUND	54,984,554