



CHEROKEE COUNTY

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CB McKinnon, Member
Cal Stiles, Member

May 6, 2019

CHEROKEE COUNTY BUDGET MESSAGE Fiscal Year 2019-2020

In accordance with North Carolina General Statute §159-11, the Cherokee County Fiscal Year (FY) 2019-2020 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 \$42,101,353.

Introduction

Cherokee County's FY 2019-2020 recommended budget is designed to function as a plan in guiding departmental operations and funding partner agencies in an attempt to accomplish the goals and objectives communicated by the Board of Commissioners.

This recommended budget is presented with the following notable highlights:

- **No increase to the current property tax rate of 52 cents per \$100 of valuation**
- **No increase in fee schedules**
- **An increase in expected sales tax proceeds of \$203,876**
- **Provides for capital replacement of vehicles and equipment across various departments**
- **Provides for a 3% COLA**

We continue to monitor legislative changes and budgetary proposals coming out of the Legislature that could impact our local budgeted revenues and expenditures and will communicate such information to the Board to address any necessary changes to this recommended budget prior to their adoption of the FY 2020 Budget Ordinance.

An expenditure schedule by function and department for the FY 2019-2020 recommended budget is provided at the end of this message as Attachment A.

Total County Funds

The FY 2019-2020 recommended budget for all Cherokee County Funds has an annual budget totaling \$42,101,353. The County has established an annual budget for six separate funds. These funds can be further paired into the following fund groupings:

**Cherokee County
Budget by Fund
Fiscal Year 2019-2020**

General Fund		<u>\$39,498,441</u>	<u>93.8%</u>
Special Revenue Funds:			
Revaluation Reserve Fund	309,462		0.7%
911 Fund	303,900		0.7%
Fire Districts	1,671,800		4.0%
Bear Paw Service District	317,750		0.8%
Total Special Revenue Funds		<u>\$ 2,602,912</u>	<u>6.2%</u>
County Total		<u><u>\$42,101,353</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 five Special Revenue Funds: Revaluation Reserve Fund, 911 Fund, Fire Districts Fund, Bear Paw Service District Fund and the Debt Service 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.

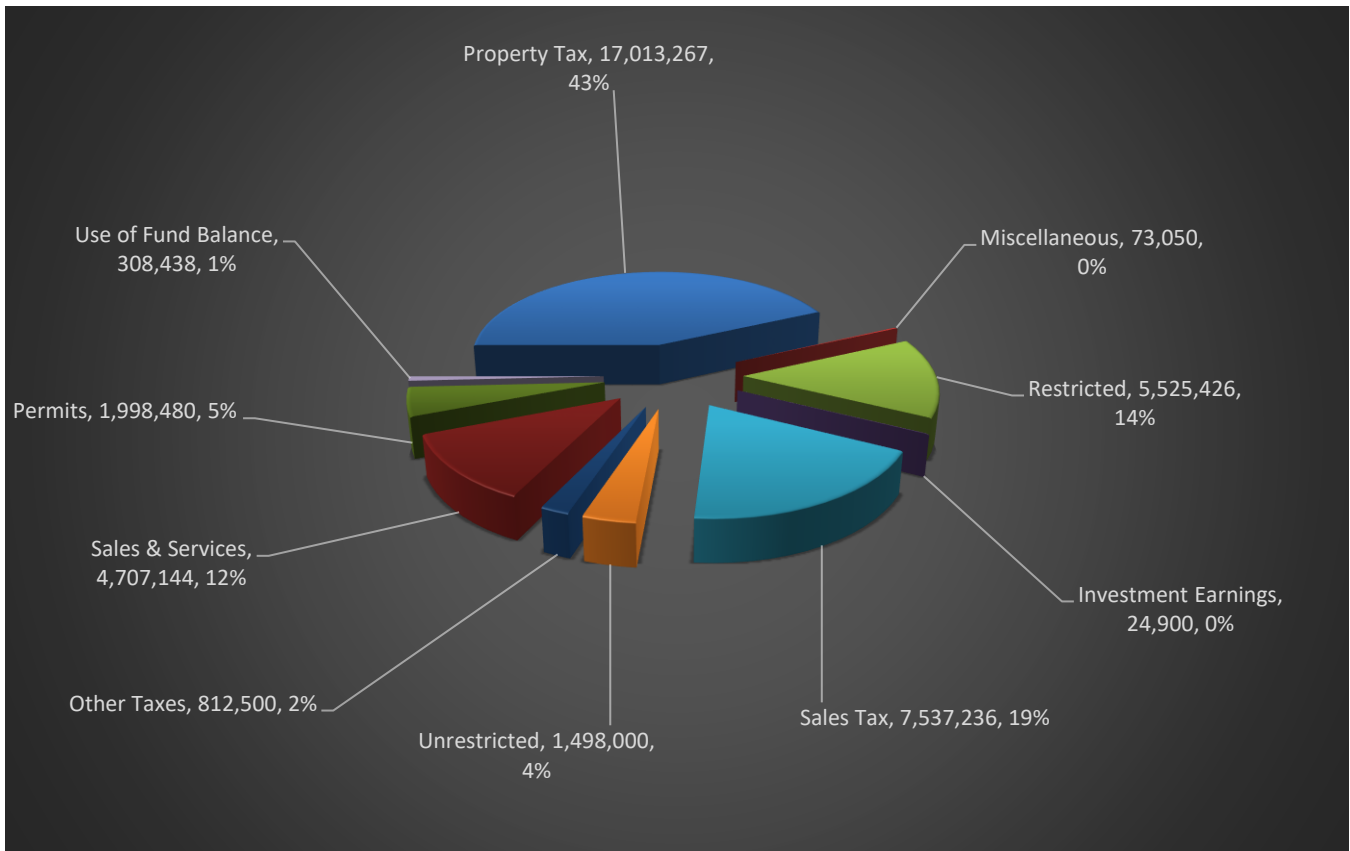
Enterprise Funds- Enterprise Funds are used to report any activity for which a fee is charged to external users for goods or services. Cherokee County does not currently have an active enterprise fund.

General Fund Revenues by Category

The General Fund with estimated revenues totaling \$39,498,441 derives its revenues from a variety of sources as shown below:

**Cherokee County
Sources of County Revenue
FY 2019-2020**

	Recommended	% of Total
Property Tax	17,013,267	43.0%
Miscellaneous	73,050	0.2%
Restricted	5,525,426	13.9%
Investment Earnings	24,900	0.1%
Sales Tax	7,537,236	19.1%
Unrestricted	1,498,000	3.8%
Other Taxes	812,500	2.1%
Sales & Services	4,707,144	11.9%
Permits	1,998,480	5.1%
Use of Fund Balance	308,438	0.8%
	\$39,498,441	100.0%



The County's largest revenue source is derived from ad valorem property taxes. For FY 2019-2020 it is recommended that Cherokee County **remain at the rate of 52 cents per \$100 of valuation** providing \$17,013,267, or 43.0%, of the total General Fund Budget, which includes current and prior years collections for both real and personal property, interest and penalties. Our ad valorem collection rate has been increased to 97.70% for FY2020. Our Tax Collection staff continues to work diligently toward improvements in our collection methods. As the property tax remains the only revenue source controlled locally, it is imperative to maintain a high collection rate to provide an equitable distribution of taxes.

The motor vehicle tax collection rate has remained at 99.75%

Sales tax revenues account for our second largest, unrestricted, revenue source. While we have experienced very slight increases in sales tax collections, therefore we are conservatively increasing our projected collections by 2.78%. Article 46 is projected slightly higher for FY2020 at \$800,000.

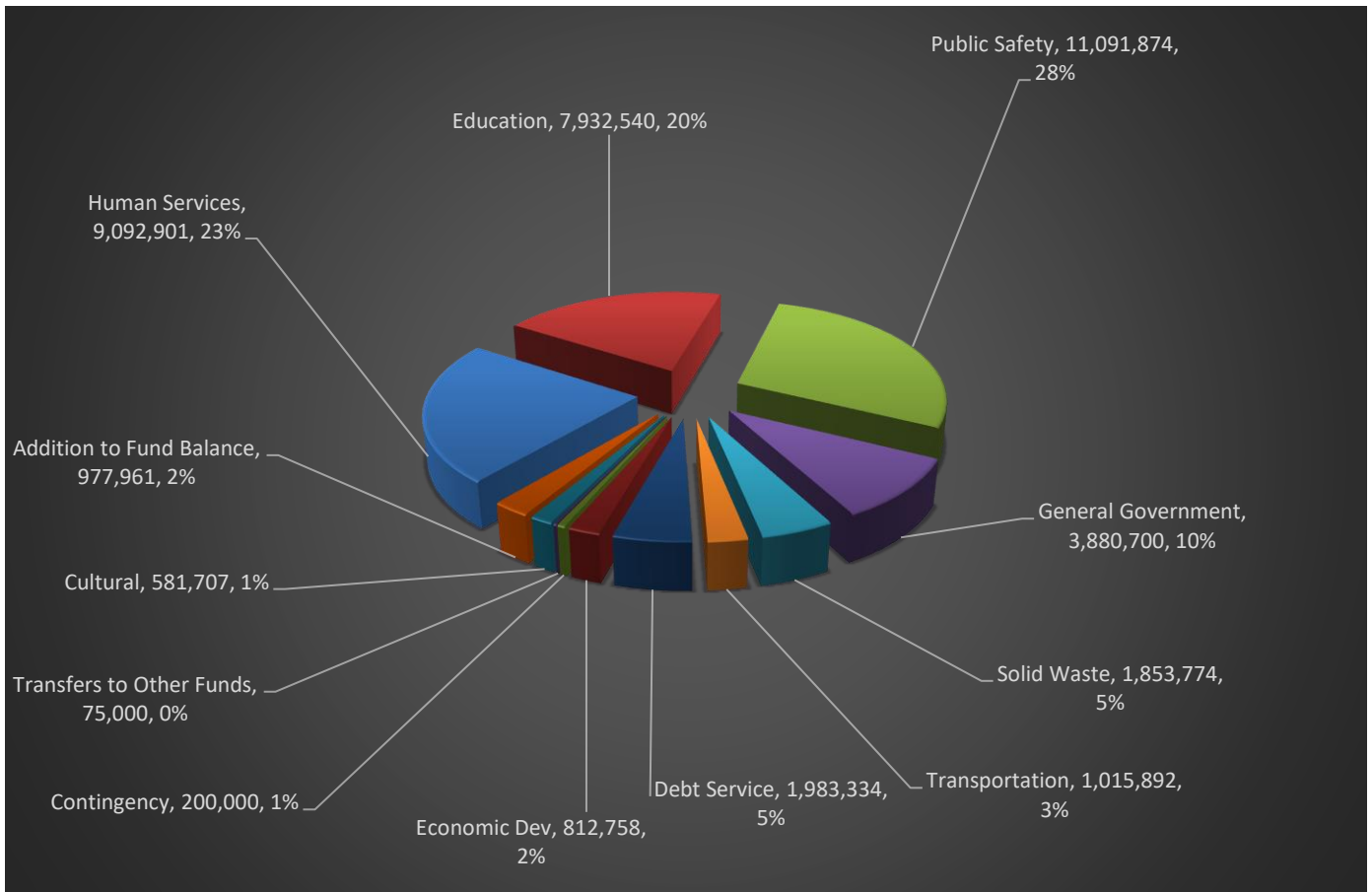
Most other revenue sources that provide funding for operating expenditures have remained flat for the coming fiscal year.

General Fund Expenditures by Category

The General Fund budget totaling \$39,498,441 is comprised of separate expenditure categories as shown below.

**Cherokee County
Expenditures by Function
FY 2019-2020**

	Recommend	% of Total
Human Services	9,092,901	23.0%
Education	7,932,540	20.1%
Public Safety	11,091,874	28.1%
General Government	3,880,700	9.8%
Solid Waste	1,853,774	4.7%
Transportation	1,015,892	2.6%
Debt Service	1,983,334	5.0%
Economic Dev	812,758	2.0%
Contingency	200,000	0.5%
Transfers to Other Funds	75,000	0.2%
Cultural	581,707	1.5%
Addition to General Fund Balance	977,961	2.5%
	39,498,441	100.0%



The following information details some of the more notable changes presented in the FY 2019-2020 recommended budget.

We are recommending \$200,000 appropriated as Contingency to address unexpected expenses based on our most recent three years of experience.

Cherokee County Schools –

Cherokee County Schools is seeking an overall increase of \$2,176,855. This increase primarily reflects increases for a 3% local supplement for all teachers, additional locally funded personnel, and previous years’ State-approved pay increases for locally funded employees. This increase alone equates to seven cents of the County’s millage rate at approximately \$325,000 of revenue realized per penny of millage rate. Our recommendation is to support the increase of \$358,793 necessary to cover the previous years’ costs associated with those positions that are funded locally and thereby reimburse CCS for use of their fund balance that has been used to cover those costs previously.

It has been shared that Cherokee County is 1 of only 7 counties not providing a teacher supplement and that most of these 7 counties are far-western NC counties. However, Cherokee County does provide a teacher supplement. Our county has been adamant that we maintain and support our community schools model. As such, Cherokee County funds 24 teacher positions in order to maintain this model at a cost for FY20 of \$951,899. These are dollars that could be realigned to support a teacher supplement for all teachers were it not for having to use those funds to fully cover 24 teacher positions. Per the CCS FY20 budget request, a 3% teacher supplement would cost \$566,886.

Per information compiled by the NCACC, Cherokee County ranked 28th out of 100 counties in local current expense funding per student (\$1,976) with 3 counties not reporting. Comparatively for that same year Cherokee County was ranked 13th in lowest property tax rate (tied with one other county).

Tri-County Community College –

The increase for the operating budget of TCCC is \$49,341 for a total of \$857,000, or 81.2% from Cherokee County. Clay County has committed to funding their original \$125,000 along with their approved increase of \$73,000 for a total of \$198,000, or 18.8%, from Clay County. These totals represent the amounts approved by the Cherokee and Clay County Boards of Commissioners in the proposed three-county agreement. Graham County has not yet approved the agreement and there is currently no expectation of funding for the main campus from Graham County.

Operations and Capital

Solid Waste –

We are recommending increases in capital and supplies to continue to replace large capital equipment necessary for the effective operation of our Solid Waste program and to provide the tools necessary for our employees to carry out their respective functions. We have planned on replacing our oldest track hoe with a newer, used unit at \$200,000; replacing our oldest, non-functioning skid steer with a new unit for \$39,100. With the additional of a full time mechanic position we are stocking our maintenance garage with the tools and equipment necessary to effect in-house repairs on-site.

EMS –

We are recommending to replace the Captains' Quick Response Vehicle at a cost of \$108,438. The current vehicle is a 2007 Chevy 2500 that was acquired with the dissolution of the Cherokee County Rescue Squad. The vehicle currently has 146,000 miles. With two people in the vehicle along with all of the tools and equipment we carry we are at the maximum allowable weight for that vehicle. The replacement will be a 2019 or 2020 Chevy 3500 dual axle 4x4. The larger vehicle with the rescue body installed will provide greater storage capacity for our tools and equipment and more efficient access to them.

Personnel –

Due to issues with caseloads and recruitment and retainage of qualified social work employees, we are also recommending the addition of two positions, a social worker supervisor and a social work employee. Additionally we are recommending salary adjustments for our social work positions.

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.

Ranger and Valleytown Volunteer Fire Departments have requested a hearing with the Board to request a possible increase in their current fire tax rates of 3.8 and 5.9 cents respectively.

Bear Paw Service District will notify us in June as to their Board’s approval of their FY 2019-2020 service district tax rate.

The table below does not reflect an increase in any of the millage rates for FY2020. Any increases in fire tax district rates should occur only after conversations between the Board of Commissioners and the respective Volunteer Fire Department.

**Cherokee County
Special Tax Districts
FY 2019-2020**

Fire Districts - Fund # 28	Tax Rates	Estimated
Rural Fire District	2019-20	Revenues
Fire District – Collection Fees	-	7,100
Bellview	0.054	98,000
Brasstown	0.047	15,100
Culberson	0.060	94,000
Grape Creek	0.066	40,100
Hanging Dog	0.062	73,000
Hiwassee Dam	0.051	196,000
Hot House	0.039	70,000
Martins Creek	0.038	84,000
Murphy Rural	0.099	326,000
Peachtree	0.061	185,000
Ranger	0.038	132,000
Tipton Creek	0.042	3,000
Unaka	0.039	35,000
Valleytown	0.059	299,000
Violet	0.051	14,500
Total Fire Districts		1,671,800
Bear Paw Service District - Fund # 29		
Bear Paw Service District	0.380	317,750

Conclusion

Thank you to the Board of Commissioners for their support and guidance over the current year and toward the FY2020 budget development process. I want to express my appreciation to our great County staff for their assistance in the preparation of the FY 2019-2020 recommended budget and for their constant dedication to the citizens and visitors we serve. As always, a very special note of appreciation to our Finance Director for her sound counsel and the many hours spent gathering, maintaining and analyzing the data we need to perform this task. The recommended budget seeks to conservatively hold the line within the majority of our operational activities. We have included recommendations for necessary growth within certain services where demands for those services have increased in order to provide effective and responsible delivery to the citizens and visitors of Cherokee County.

Under the leadership of the Board, the Fiscal Year 2019-2020 recommended budget sets forth a plan of spending that supports effective service delivery, maintains our 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.

This budget message, as well as the complete budget document, may be accessed on the internet at www.cherokeecounty-nc.gov, at the County Manager's office, or any of the public libraries within Cherokee County.

Respectfully Submitted,

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

Randy Wiggins
Cherokee County Manager

Attachment A

Cherokee County
Budget by Department
Fiscal Year 2019-2020

<u>General Fund</u>	<u>FY 2019-2020 Budget</u>
PARKS & RECREATION	330,765
MUSEUM	47,297
LIBRARY	203,645
TOTAL CULTURAL & RECREATION	581,707
LONG TERM DEBT SERVICE	1,983,334
TOTAL DEBT SERVICE	1,983,334
COOPERATIVE EXTENSION	190,468
ECONOMIC DEVELOPMENT	40,750
SOIL & WATER	91,426
SPECIAL APPROPRIATIONS	490,114
TOTAL ECONOMIC DEVELOPMENT	812,758
SCHOOLS	7,075,540
COMMUNITY COLLEGE	857,000
TOTAL EDUCATION	7,932,540
GOVERNING BOARD	253,647
ADMINISTRATION	205,229
INFORMATION TECHNOLOGY	534,089
FINANCE	439,878
TAX ASSESSOR	437,318
LAND RECORDS	166,617
TAX COLLECTOR	317,086
COURT FACILITIES	40,000
BOARD OF ELECTIONS	298,192
REGISTER OF DEEDS	437,606
PUBLIC BUILDINGS/MAINTENANCE	514,238
CENTRAL SERVICE	236,800
TOTAL GOVERNMENTAL	3,880,700

MENTAL HEALTH	75,000
HEALTH DEPARTMENT	2,590,913
SOCIAL SERVICES	5,661,535
VETERANS SERVICES	99,946
SENIOR CENTER	478,921
SPECIAL APPROPRIATIONS	186,586
TOTAL HEALTH & HUMAN SERVICES	9,092,901
CONTRIBUTIONS TO OTHER FUNDS -	75,000
TOTAL TRANSFERS TO OTHER FUNDS	75,000
SHERIFF	2,995,710
JAIL	2,505,187
911 ADDRESSING	74,184
CENTRAL DISPATCH	820,284
EMERGENCY MANAGEMENT	143,411
AMBULANCE SERVICE	3,726,179
ANIMAL CONTROL	101,000
CODE ENFORCEMENT	483,599
MEDICAL EXAMINER	35,000
SPECIAL APPROPRIATIONS	207,320
TOTAL PUBLIC SAFETY	11,091,874
TOTAL SOLID WASTE	1,853,774
TRANSPORTATION	766,642
AIRPORT OPERATIONS	249,250
TOTAL TRANSPORTATION	1,015,892
CONTINGENCY	200,000
ADDITION TO DESIGNATED FUND BALANCE	696,556
ADDITION TO GENERAL FUND BALANCE	281,405
TOTAL ADDITION TO FUND BALANCE	977,961
TOTAL GENERAL FUND	39,498,441