

COUNTY OF LINCOLN, NORTH CAROLINA

115 WEST MAIN STREET, 3RD FLOOR CITIZENS CENTER • LINCOLNTON, NORTH CAROLINA 28092

OFFICE OF THE COUNTY MANAGER
W. TRACY JACKSON, COUNTY MANAGER
MARTHA W. LIDE, ASST. COUNTY MANAGER
(704) 736-8471
FAX (704) 736-8820

The Honorable Board of County Commissioners
County of Lincoln
115 West Main Street
Lincolnton, North Carolina 28092

May 19, 2014

County Manager's Message Regarding the Proposed Fiscal Year (FY) 2015 Budget

Gentlemen and Mrs. Martin:

I present for your consideration the proposed FY 2015 Budget for Lincoln County. What follows is a description of the revenues and expenditures being recommended for the Fiscal Year (FY) 2015 starting July 1, 2014 and ending June 30, 2015. The total amount being requested is \$88,701,584 which is a 1% increase (\$836,304) over FY 2014. The Unassigned Fund Balance is anticipated to be similar to FY14 at \$11,644,997 which is 13% of the total proposed budget for FY15.

Budget Assumptions:

In preparing this Budget and the Capital Improvements Program (CIP), Staff relied upon a number of assumptions that were critical to projecting revenues and expenditures and developing the CIP. Please recall that the budget is a planning document, and not every issue can be anticipated prior to the adoption of the budget. Therefore, it is necessary to base the budget on certain assumptions. If changing circumstances affect those assumptions, the budget can be adjusted during the fiscal year.

The assumptions used in preparing the FY 2015 Budget were:

- The economy will show gradual improvement throughout the fiscal year somewhere in the 1-2% range.
- Inflation will remain similar to recent years with a slight increase in 2015.
- Revenues were projected from a conservative, but realistic, perspective and are not overly optimistic or pessimistic.

- A property tax collection rate of 97.55% with a 1% increase over FY 2014. The three local option sales taxes are projected to increase 1 – 2% over FY 2014.
- An ad valorem (property) tax rate of \$0.598 per \$100 of assessed valuation (same as FY14). Please see the chart on the next page containing information collected by the North Carolina Association of County Commissioners (NCACC). It shows Lincoln County's current tax rate of \$0.598 compared to adjoining counties and similar NC counties. *Among adjoining counties, we have the 3rd lowest tax rate. Among similar counties, we have the 4th lowest tax rate.* In other words, Lincoln County enjoys a much lower property tax rate than many of our neighboring counties and other counties to which we compare.
- Assumes that adequate, available fund balances will be maintained in all operating funds.
- All Proprietary (Enterprise) Funds will be self-supporting without assistance from the General Fund.
- Fees & Miscellaneous Revenues will remain unchanged except for proposed adjustments to certain Solid Waste Fees.
- A recommended tax rate of \$0.0342 per \$100 of assessed value for the East Lincoln Water & Sewer District. This is a decrease from \$0.0359 per \$100 of assessed valuation in FY14 as per projections previously called for.
- Merit Increase: Assumes a 2.5 % merit increase for employees, and assumes that new employees will continue to be eligible for probationary increases of 2.5% during the fiscal year.
- Assumes that there will be a six and one-half percent (6.5%) increase in the County's portion of medical insurance premiums for the PPO and the HSA Plan. I have proposed the County absorb the increase in the FY15 premium cost for our employees in FY 2015. I have advised our employees that this may not be possible in future years, and they may be asked to share in this expense.
- Fuel will average \$3.50 per gallon on the open market. The County pays about \$.56 less than that due to its sales tax exemption.
- State support for the Board of Education, Department of Social Services, and the Public Health Department will vary little from the past.

Budget Highlights:

There were a variety of issues impacting the proposed FY 2015 Budget for Lincoln County. These include:

- Capital Requests: There were numerous requests for CIP items in FY15 and some are being recommended while others are not. Facility, vehicle, and technology-related requests received the highest priority with even some of those needs being delayed if waiting was seen as not being detrimental to the department or its service. The largest projects include proposed renovations to the Old Hospital, Warren Building, and Courthouse (\$17,000,000); and the expansion and closure of landfill cells (\$3,190,000).
- Personnel Requests: There were a total of twenty-two (22) requests for new positions across the County and five (5) reductions in force (RIF). The RIF's are planned for the Home Health Agency (4 positions) and the Register of Deeds (1 position) and will occur prior to June 30, 2014. A total of eleven (11) new positions are being recommended:

FY 2015 SURVEY OF ADJOINING AND SIMILAR NC COUNTIES*

ADJOINING COUNTIES

County	2012 Population	Econ. Tier	FY14 Assessed Value	Median Income	Tax rate/\$100	13-14 Exp	# Emp	Water/Sewer
Burke	90,051	I	\$6,245,865,486	\$37,719	0.6800	\$73,346,071	521	Y
Catawba	155,353	II	\$16,199,627,635	\$44,339	0.5300	\$166,935,090	1,084	Y
Cleveland	97,800	II	\$7,470,000,000	\$37,390	0.7200	\$98,771,449	842	Y
Gaston	208,704	II	\$15,127,000,000	\$40,969	0.8700	\$222,105,939	1,476	N
Iredell	163,189	III	\$21,106,500,000	\$49,902	0.4850	\$164,108,385	940	N
<i>Lincoln</i>	79,512	III	\$8,316,421,750	\$50,746	0.5980	\$87,865,280	671	Y
<i>Average:</i>	132,435	n/a	\$12,410,902,479	\$43,511	0.6472	\$135,522,036	922	n/a

Mecklenburg	962,593	III	\$114,300,000,000	\$52,111	0.8157	\$1,079,419,240	5,377	Y
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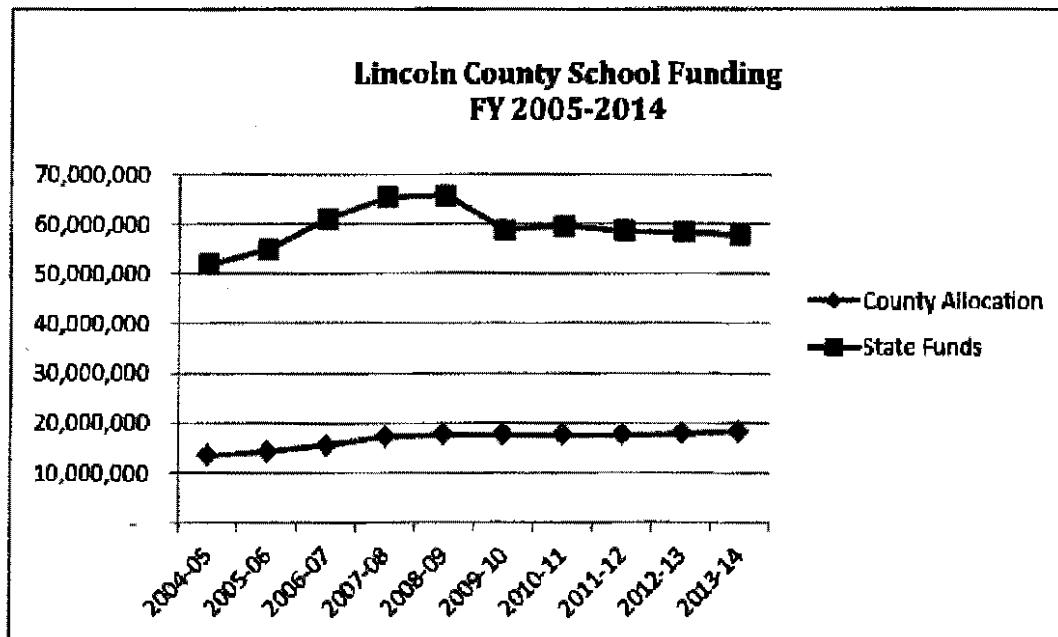
NC COUNTIES SIMILAR TO LINCOLN COUNTY**

County	2012 Population	Econ. Tier	FY14 Assessed Value	Median Income	Tax rate/\$100	13-14 Exp	# Emp	Water/Sewer
Chatham	66,618	III	\$9,100,000,000	\$53,564	0.6219	\$92,581,387	489	Y
Craven	105,080	II	\$9,847,000,000	\$47,291	0.4700	\$92,988,968	587	Y
Harnett	120,900	II	\$7,462,937,353	\$40,617	0.7250	\$110,237,472	902	Y
Haywood	59,276	II	\$7,346,847,549	\$40,114	0.5413	\$68,713,290	502	N
<i>Lincoln</i>	79,512	III	\$8,316,421,750	\$50,746	0.5980	\$87,865,280	671	Y
Moore	90,414	III	\$12,120,800,000	\$47,301	0.4650	\$88,065,894	600	Y
Nash	95,728	II	\$6,936,000,000	\$43,151	0.6700	\$87,805,377	681	Y
Rockingham	92,977	I	\$6,901,484,696	\$36,746	0.6960	\$87,907,985	651	Y
Wayne	124,341	II	\$7,806,562,420	\$39,089	0.6665	\$95,901,979	974	N
Wilson	82,020	I	\$6,459,922,000	\$37,166	0.7300	\$99,759,159	749	Y
<i>Average:</i>	91,687	n/a	\$8,229,797,577	\$43,579	0.6184	\$91,182,679	681	n/a

*Data obtained from NCACC 2013-14 County Budget & Tax Survey

**Similar in terms of population, assessed value and/or proximity to a major MSA

- Two (2) Investigator Positions for the Sheriff's Office
- Two (2) EMT-Paramedic positions for EMS to reduce number of part-time positions and associated costs
- One (1) Development Technician for Planning and Inspections
- Two (2) Social Workers and two (2) Income Maintenance Caseworkers at DSS
- One (1) Assistant Supervisor and one (1) Adoptions/Rescue Coordinator at Animal Services
- Healthcare Costs and the Affordable Care Act: Lincoln County will again offer two different health insurance plans for our employees 1) the PPO and 2) the HSA. We will be switching to Ameritas Dental instead of BCBS of NC due to changes in claims processing and reimbursement on the part of BCBS. As a plan, we will see increased health insurance costs in FY15 due to our experience with high claims and employer mandates associated with the affordable care act. Overall, we anticipate costs to be 6.5% higher than the current plan year and have budgeted accordingly.
- Employee Compensation: The Board requested that Staff look at the possibility of providing a 2.5% merit pay plan in FY15. This has been included at an estimated cost of \$500,000.
- Solid Waste Landfill Cell Closure & New Cell Opening: Required opening of new landfill cells, and closing of older cells, at the currently permitted site in Crouse is estimated at approximately \$3.2 million over the next several years. This amount will need to be funded through COPS financing. Certain Solid Waste fees will need to be adjusted in an attempt to address this pending expense.
- Education Funding: Staff again used the established funding formula agreed upon by the County and School Board. This resulted in a slight increase in local funding of current expense and capital outlay over the prior year. Local funding has remained constant and *has not* decreased over the last several years, while unfortunately funding from the State has diminished (see chart below). If adopted, the recommended amount of school operating expense, capital expense and debt service will constitute 34% of the County Budget in FY15.



- County Fire Districts: Calls for tax rates to remain unchanged except for proposed increases at the East Lincoln VFD (from \$0.0785 to \$0.0850) and North 321 VFD (from \$0.0350 to \$0.0400 cents), and a proposed decrease in tax rate at the Pumpkin Center VFD (from \$0.0938 to \$0.0900 cents).

Conclusion:

I want to thank the Board of Commissioners for your support and guidance in the preparation of the FY 2015 Proposed Budget. Your comments and directions from the 2013 Budget Planning Retreat were taken into consideration and incorporated into this budget proposal.

I also want to recognize the numerous hours of staff time that have gone into the preparation of this Budget. In particular, many thanks to Assistant County Manager Martha Lide and Finance Director Deanna Rios for their work on this document. I also want to acknowledge the Finance, Human Resources, and IT departments for their work assembling the information and projecting preliminary revenues and expenditures. Every department head developed not only a requested operating budget, but a projection of capital needs. They and their staffs are to be commended for their work. I thank them all for their efforts and timeliness in completing the necessary budget and CIP documents. It is truly a team effort, and I am grateful to have such a dedicated and professional staff.

Copies of the proposed Budget and Capital Improvements Program will go on file in the County Clerk's Office on May 19, 2014. The Public Hearing on the Budget is scheduled for June 2, 2014, and the adopting Ordinance will be on the Board of Commissioners Meeting Agenda for June 16, 2014. It will go into effect on July 1, 2014, subject to any changes that you might make in its adoption. Please let me know if I can provide any further information as you review the proposed FY15 Budget and Capital Improvements Program.

Respectfully submitted,



W. Tracy Jackson
County Manager