



May 15, 2018

Buncombe County Board of Commissioners:

*The Honorable Brownie Newman, Chairman, The Honorable Mike Fryar, Vice-Chairman,
The Honorable Al Whitesides, The Honorable Jasmine Beach-Ferrara, The Honorable Ellen Frost,
The Honorable Robert Pressley, The Honorable Joe Belcher*

Chairman, Commissioners and Buncombe County Community:

It is an honor to serve you and in my role as County Manager to present a proposed budget for fiscal year 2018-2019 (FY2019). This proposed budget is prepared and balanced under the guidelines of the North Carolina Local Government Budget and Fiscal Control Act.

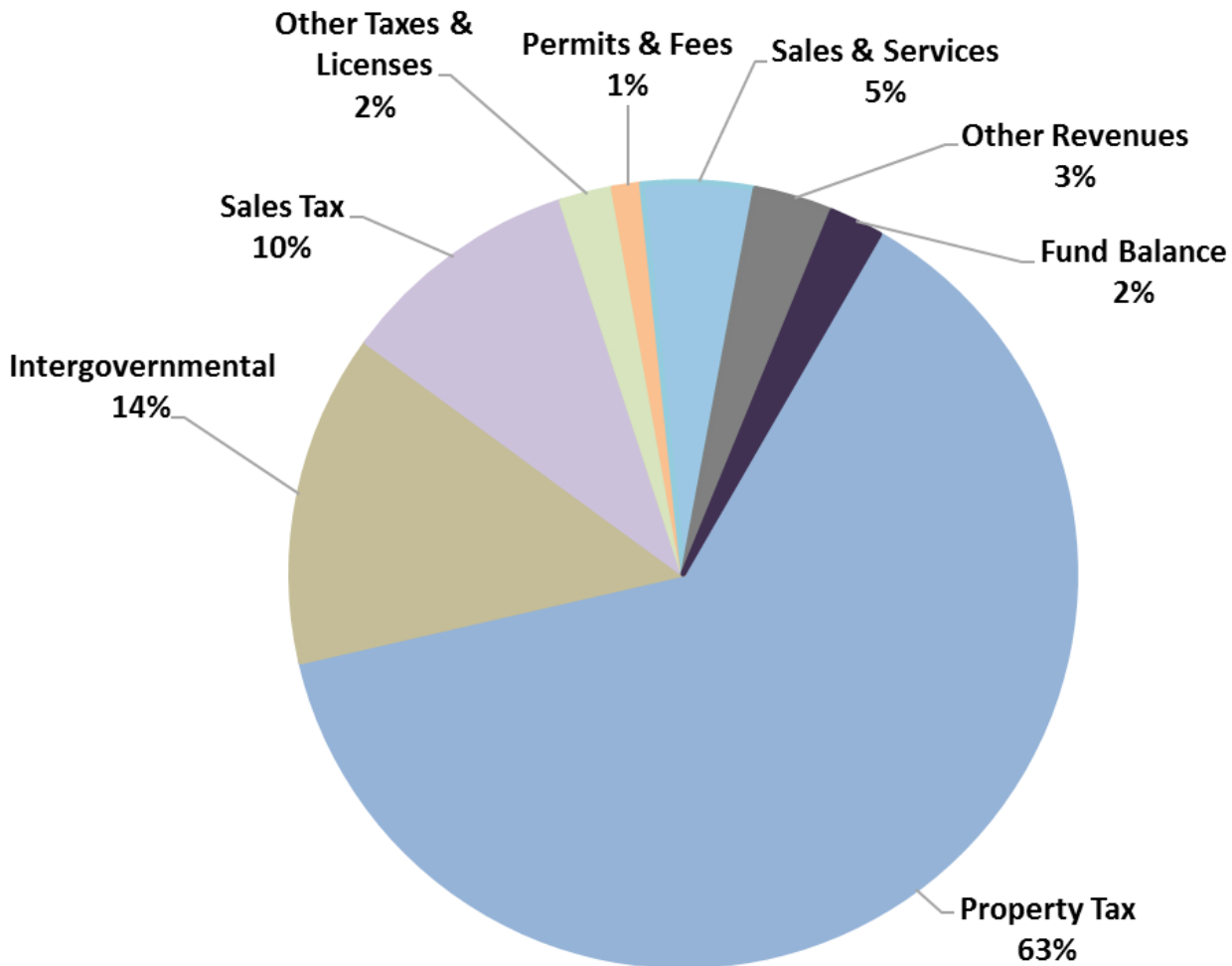
Budget Framework

As you consider the FY2019 budget please note that it is reflective of the transition of the County Manager and as a result there is a significant change in the approach to the development of the budget and the ultimate form of the budget submitted. One example of the change is a renewed clarity of roles and responsibilities. The Board of Commissioners is elected to represent our citizens and their expectations of County government by establishing policy and approving the budget. The role of the Manager and staff is to manage fiscal, capital and human assets to deliver those services in the most effective and efficient manner in compliance with federal and state laws and budget/accounting standards. This Board has invested a substantial amount of time totaling fifty hours in public work sessions specific to the budget to deepen both the Board and public's understanding. The Board has also articulated a clear expectation for enhanced transparency and clarity for the public resulting in increased fiscal accountability.

This budget was developed from the ground up, driven by departments and community needs, with the support of a newly created performance management model. Our goal is to appropriately budget to support the needs of departments to deliver core services, live within the allocated budget, and to intentionally reduce reliance on appropriated fund balance. We also recognize that one of our core responsibilities is to use public dollars to address not only immediate needs but also to invest responsibly in the future prosperity of our community. This proposed budget prioritizes high quality service to citizens, balances immediate and long term needs, and incorporates organizational structures to ensure efficiency and effectiveness.

This budget continues a history of providing quality core service to our citizens and community. This budget also brings a renewed and enhanced commitment to public accountability, budget and management discipline and structure. The budget intersects in the lives of our citizens through the skilled and caring services offered by our more than 1,600 employees. I join you in expressing appreciation for the employees of Buncombe County who make meaningful, life changing impact through the programs we offer.

Budget Overview



The proposed General Fund budget for FY2019 is \$318,720,851. This is a 3.6 percent decrease (\$12,014,537) from the FY2017-2018 adopted General Fund budget. This proposal also includes non-General Fund operating plans totaling \$107,849,894. The non-General Fund operating budget includes offsetting fees and special revenues. Non-General Funds include: Occupancy Tax Fund, Emergency Telephone System (911) Fund, Register of Deeds Automation Fund, Fire Service Districts Fund, Transportation Fund, Solid Waste Enterprise Fund, Inmate Commissary Enterprise Fund, and the Health, Employment, Property & Casualty Insurance Internal Service Fund.

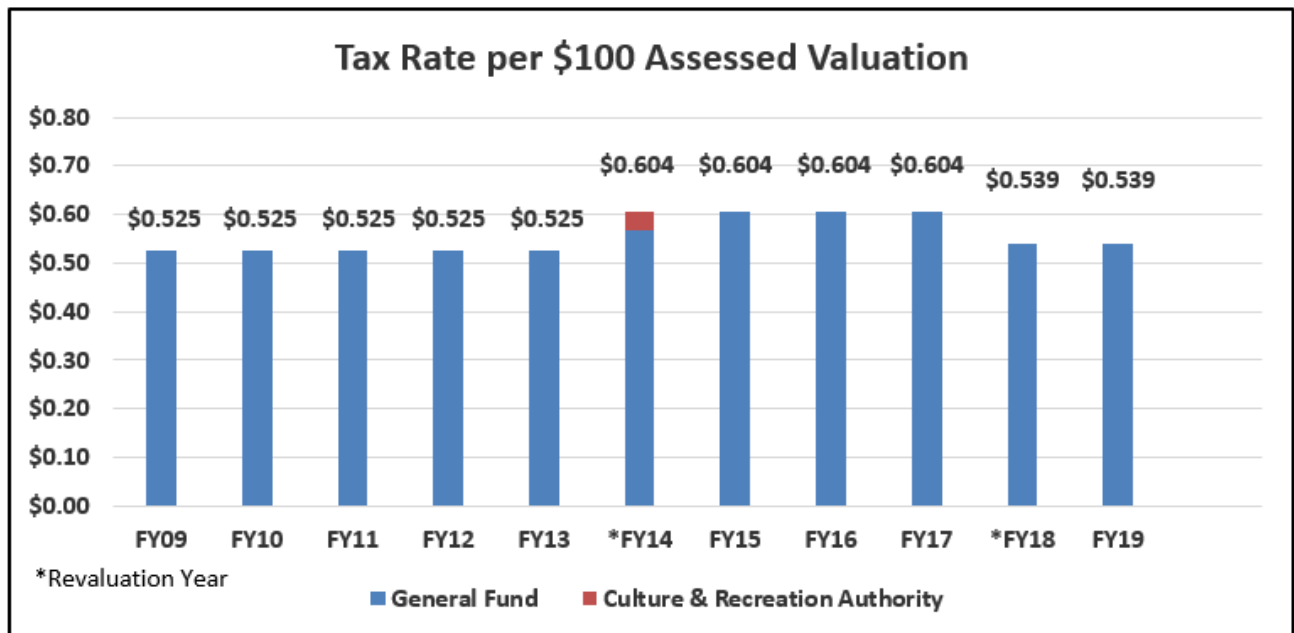
Since we use property taxes primarily in the General Fund, this message focuses on the General Fund portion of the budget. The FY2019 proposed General Fund budget was prepared using the current property tax rate of 53.9 cents. While the County operating budget initially reduced the tax rate by 1 cent, the subsequent request from education was \$3.8 million requiring we maintain a flat tax rate. Department revenue and expenditure breakdowns are reflected on the attached spreadsheet and summarized below.

Revenues

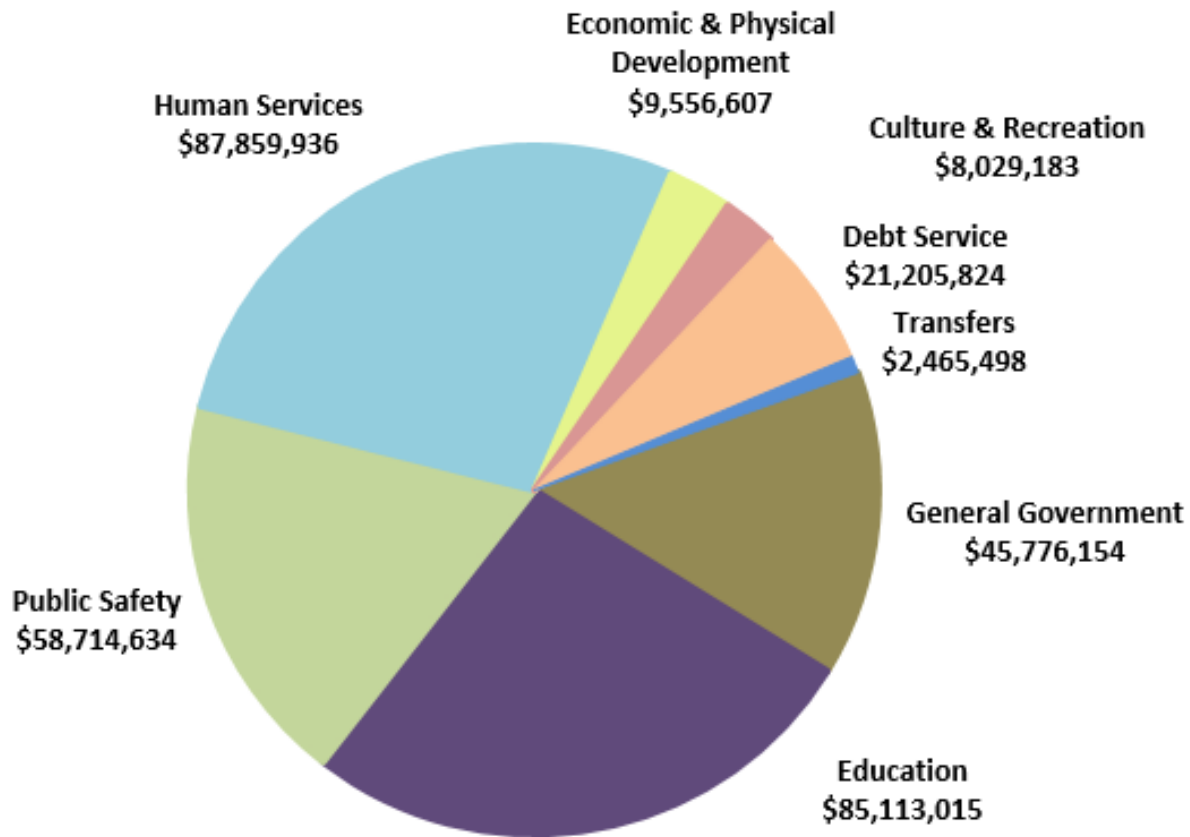
Buncombe County continues to experience growth in commercial and residential building as well as active market sales of existing property. Low unemployment, thriving business and tourism sectors, and strong retail sales contributed positively across several revenue budgets such as ad valorem tax, sales tax, excise tax, and permits and inspections revenues. The significant drop seen in intergovernmental revenue was largely a result of an \$8+ million state change in childcare subsidy policy that shifted direct assistance payments from the county to state administration. This change is the result of the statewide implementation of NCFAS (NC Families Accessing Services through Technology). This change resulted in a corresponding reduction in expenditure budget.

Revenue Source	Revenues	% of Budget
Property Tax	\$201,029,828	63%
Intergovernmental	43,514,500	14%
Sales Tax	31,608,204	10%
Other Taxes & Licenses	6,931,520	2%
Permits & Fees	3,702,841	1%
Sales & Services	14,767,243	5%
Other Revenues	10,356,715	3%
Fund Balance	6,810,000	2%
TOTAL	\$318,720,851	100%

The FY2019 proposed General Fund budget maintains the current property tax rate of 53.9 cents.



Expenditures



We continue to focus on providing core and quality services to our citizens. The FY2019 budget addresses the need to support the county's staff, infrastructure, programs and priorities.

Major items funded include:

- **\$3.4M** – Education: funded requests for anticipated State salary and benefit adjustments, textbooks, graduation initiatives, behavioral health team, and utilities
- **\$1.9M** - Employee cost of living adjustment based on Consumer Price Index and authorized within the Personnel Ordinance
- **\$898K** - Information Technology: Cyber security, licensing, and personnel
- **\$865K** - Sheriff: Personnel for school, detention and county security, body camera replacement and storage, Detention Center security updates, night shift differential to address retention, adjustment of temporary salary budgets to historical actuals
- **\$386K**- Library: Adjustment of lowest paid temporary salaries, security camera installation, furniture replacement, upgrade of public printing and wireless service

As referenced in the tax rate section, the completion of the County budget process yielded changes in structure and budget adjustments that supported lowering the tax rate by 1 cent. However, on May 8th, the two public school systems and ABTCC presented budget proposals that increased funding by a total of \$4.0 million. Addressing these additional funding requests will require maintaining the current tax rate of 53.9 cents. Specific to the education request, the proposed budget outlined in this letter reduces the request by \$616,154; this is necessary to remain in compliance with the Board of Commissioner's policy specific to maintaining the County undesignated fund balance at 15%. The 15% floor for undesignated fund balance represents slightly under two months of operating expense. In addition, it is recommended that the portion of the Buncombe County School request that is determined by the adoption of the State budget will be

appropriated in the FY2019 budget but held in contingency until a final and accurate reconciliation can be made once the State budget is adopted. The requested budgets are based on projections that may be affected when a final State budget is adopted. Given the education request constitutes close to 1 cent on the tax rate this would prevent our efforts to reduce the tax rate. If the State budget covers a portion of the school's request to the County, it would be important for us to adjust the total amount of County dollars provided. The Asheville City request is set by the County School budget based on the Average Daily Membership (ADM).

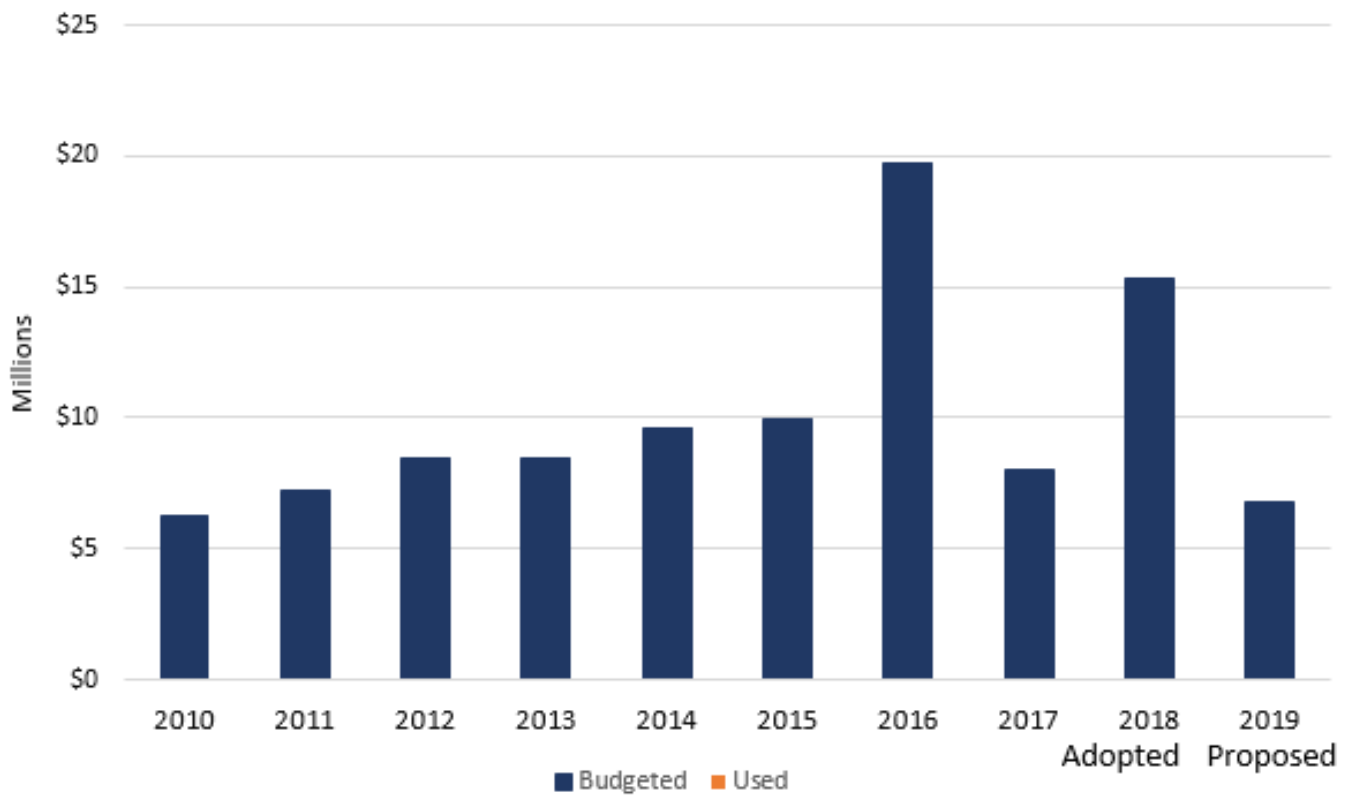
As referenced in the revenue section, a significant \$8+ million expenditure decrease was realized in Social Services Public Assistance as a result of the state change in Child Care Subsidy policy where direct assistance payments shifted to state administration. This did not affect net county cost, as the revenue and expenditure budgets were a direct offset of each other.

Function	Expenditures	% of Total Budget	Net County Cost	% of Net County Cost
General Government	45,776,154	14%	37,283,479	15%
Education	85,113,015	27%	78,578,015	32%
Public Safety	58,714,634	18%	46,442,935	19%
Human Services	87,859,936	28%	48,217,571	20%
Economic & Physical Development	9,556,607	3%	6,818,916	3%
Culture & Recreation	8,029,183	3%	7,438,580	3%
Debt Service	21,205,824	7%	19,134,409	8%
Transfers	2,465,498	1%	2,465,498	1%
TOTAL	318,720,851	100%	246,379,403	100%

Expenditure decreases were also realized due to Board of Commissioners action to limit the economic development incentive budget to only those funds associated with an existing Board commitment. Any new incentives will be addressed by the Board as an amendment to the adopted budget. The budget for debt service payments was also reduced due to Board of Commissioners action to use one-time savings to pay cash for capital projects versus using debt financing (a "pay-as-you-go" approach

Appropriated Fund Balance

The FY2019 proposed budget includes a fund balance appropriation of \$6.8 million for county government operations. This was developed with a focus on right-sizing revenue and expenditure budgets while providing limited contingency funds to provide flexibility in case of unexpected circumstances. The following graph reflects the historical appropriation versus use of fund balance in our annual budgets:



Other Taxing Districts:

During the budget process, the County also sets property tax rates for other taxing districts. The following schedule reflects the requested rates for the fire districts and the Asheville City School district.

Buncombe County Fire, Ambulance and Rescue Service Districts Ad Valorem Tax Rates (in Cents)		
District	FY 2018 Adopted Tax Rate	FY 2019 Requested Tax Rate
Asheville Special	8.6	8.6
Asheville Suburban	8.5	8.5
Barnardsville	16.0	20.0
Broad River	14.0	16.0
East Buncombe	9.9	12.0
Enka	9.0	9.0
Fairview	10.5	17.0
French Broad	14.0	16.5
Garren Creek	15.0	15.0
Jupiter	12.0	12.0
Leicester	14.0	14.0
North Buncombe	11.2	12.0
Reems Creek/Beaverdam	15.0	15.0
Reynolds	11.3	12.3
Riceville	11.0	12.8
Skyland	9.1	10.1
Swannanoa	12.9	14.0
Upper Hominy	12.5	14.5
West Buncombe	12.0	13.5
Woodfin	10.0	10.0
Asheville City Schools	12.0	12.0

Over the last year, the Board of Commissioners and management staff held two Fire District work sessions to better understand the challenges and needs of this critical public safety function. In addition, there was public attention related to two situations where the County was asked to prefund Fire District expenses due to cash flow challenges. In response to these situations, the County engaged an outside consulting firm to work with these two districts.

The Board of Commissioners has expressed a commitment to consider tax rate adjustments to address the base pay of firefighters in an effort to move toward average pay for firefighters across NC. Twelve of twenty Fire Districts have requested rate increases to address firefighter pay as well as capital planning and reserves.

County Management has spent this transition year building a budget and management system focused on rigor, transparency and discipline. We believe a similar model must be applied to any expenditure of public funds for which the County is responsible. Fire Districts will receive \$27-29 million in public funds in FY 19 depending on the rates the Board adopts. Given the significance of the public funds and the critical nature of the service we are recommending a change in the Service Agreements to move toward more standard

budgeting and accounting as well as increased transparency. With these changes there is a stronger focus on Board fiduciary training and training specific to capital planning, budgeting and expense management and reporting. It is difficult in the current structure where every District has a unique budget and accounting structure to assess and strengthen fiscal frameworks. The next year will provide an opportunity to evaluate potential cost savings through consolidation of back office supports, capital planning/financing and increased buying power through pooling of health care plans. To support cash flow challenges, we intend to distribute fire district property tax revenues in equal monthly payments throughout the year, rather than the current system which distributes the majority of revenue in a three month period.

Public Input

I express to our citizens my respect and appreciation for their willingness during this year of transition to allow the space for us to strengthen management infrastructure and fiscal oversight as well as increase our accountability to the public. This includes posting the following budget information to allow our citizens to be informed, ask questions and provide feedback prior to the adoption of the budget:

- *Budget Message Letter*
- *Proposed Capital Plan*
- *Proposed Operating Budget*
- *Citizen's Guide to the Budget*
- *Budget Message Presentation*
- *Budget Framework*
- *Strategic Priorities, Activities and Results*
- *Interactive Budget Explorer*

The public is invited to share input at the budget hearing on Tuesday, June 5 at 5:00 pm in the Commissioner Board Room at 200 College Street. Input may also be submitted via the Let's Talk email at LetsTalk@BuncombeCounty.org or hotline at **(828) 250-4066**.

With deep appreciation for the honor of serving as your County Manager over the last year.

Respectfully submitted,

Mandy Stone, MSW

County Manager