



Wanda Greene, PhD, CPA  
County Manager

## Buncombe County Manager

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May 17, 2011

Dear Members of the Board of County Commissioners:

I respectfully present Buncombe County's Fiscal Year 2011-2012 (FY2012) Budget Estimate of \$302,961,437. This Estimate was prepared using our current 52.5 cent tax rate and includes a General Fund Budget Estimate of \$257,150,021 and Non-General Fund operating plans totaling \$45,811,416. This represents a net 1.7% increase in the General Fund budget over the FY2010/11 funding level. The non-general funds are paid with fees and special revenues; therefore, we have focused this message primarily on the General Fund portion of the budget.

Economic recovery has not arrived as quickly as we hoped, and we face significant challenges as the prolonged economic downturn continues to drive unprecedented growth in our caseloads. We are adjusting to a new economy, a new reality - a new normal. We have to be a very streamlined, focused organization and must be leaner, more nimble, more responsive to citizens and less bureaucratic as we focus our limited resources on our CORE mission.

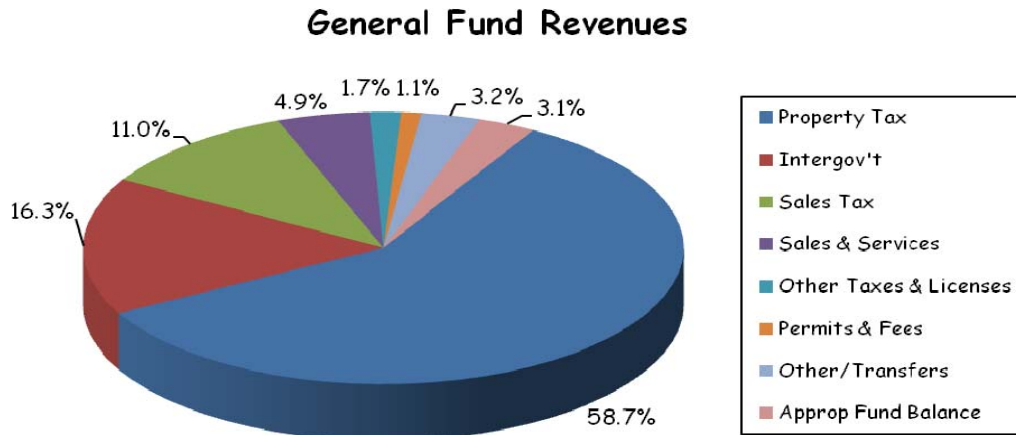
The current economic climate has challenged us to demonstrate our creativity in all aspects of life. Navigating these difficult economic times has been challenging, but we have fared better than most, in part due to strong leadership from our Commissioners. The leadership of our Commissioners and your willingness to make very hard choices enables us to move forward and continue to improve our ability to meet the current and future needs of our citizens.

Our budget is built on a solid foundation. We have been focused on CORE services for several years. We believe the FY2012 Budget Estimate continues our strong financial management of County resources. Following is information on revenues and expenditures specific to the FY2012 Budget Estimate:

### **Revenues:**

General fund revenues are derived primarily from 3 sources: property tax, sales tax, and intergovernmental transfers (primarily for human services). At best, these revenues can be described as stagnant. The economic decline continues to impact our sales tax and other growth related revenues. Property tax now represents 58.7 percent of our general fund revenue. In North Carolina, counties can access only those revenue streams that the

North Carolina General Assembly authorizes counties to use. The following chart reflects the sources of revenue included for the general fund budget:



In the FY2012 Budget Estimate, almost 97 percent of our revenues come from the combination of property tax, fees, intergovernmental revenues, sales tax, and fund balance. With the exception of fund balance, which is up by \$1 million, the other revenue streams reflect little to no growth over the FY2011 budget. The composition of the County's General Fund Revenues is reflected in the following table:

Revenue Source	Revenues	% of 2012 Budget
Property Tax	\$150,958,603	58.7%
Intergovernmental	41,969,452	16.3%
Sales Tax	28,213,411	11.0%
Other Taxes & Licenses	4,283,783	1.7%
Permits & Fees	2,749,745	1.1%
Sales & Services	12,728,177	4.9%
Other Revenues	8,284,420	3.2%
Fund Balance	7,962,430	3.1%
<b>TOTAL</b>	<b>\$257,150,021</b>	<b>100%</b>

**Expenditures:**

We approached this economic challenge as an opportunity to continue reinventing the way we do business. First and foremost, our focus is to serve our citizens in an effective and efficient manner. We have a responsibility to those we serve, those who fund us, and those who provide the service. We need to continue streamlining our services to hold costs down for our citizens. Since the last economic downturn in 2001, we have refined our focus on core services, and we have been very strategic in managing our resources. We invited disruptive innovations and encouraged our workforce to drop outdated approaches and take balanced risks. Traditional approaches, tinkering around the edges and getting marginally better would not provide the change and savings we had to achieve to balance the cost of growing caseloads with the need to hold down taxes.

We faced our challenges head-on; identified the problems; considered the options; recognized the pluses and minuses of each option; and selected a course of action. Although addressing our challenges can be difficult, not doing so will only lead to bigger problems downstream. This budget focuses on being able to respond more appropriately to the holistic needs of our clients and citizens.

As we anticipate changes, primarily state budget and healthcare reform, we have continued to explore ways to redesign service delivery. Just because we've done it ourselves for years does not mean we can continue doing business that way. We ask ourselves: are we the best organization to be delivering this service? Can we find a way to manage or shift our resources that leads to better outcomes for the people we serve? We need to move forward and judiciously shift resources to meet the changing demands for services. Success can be built through smart partnerships to deliver vital services in the community. These partnerships can build capacity within our community and allow us to reallocate our resources to core county services. There are often more appropriate community providers and opportunities to reinvest savings realized through these partnerships. We have to consider what future workloads may look like and ways we can use technology and flexible staffing options to meet the changing landscape of service delivery. We continue to be careful that we aren't so busy focusing on how we do something that we never stop to ask whether we should be doing it at all.

During the FY2012 budget process, departments were instructed to submit 3, 5, 7, and 10 percent reduction plans. The implementation of these plans resulted in \$7.9 million in expenditure reductions and the elimination of 93 county positions. In addition to looking at programmatic changes and service delivery methods, each department was asked to look closely at all existing expenses with a focus on service availability in the community, employment of our citizens; cost containment or service expansion within existing resources; and elimination of waste.

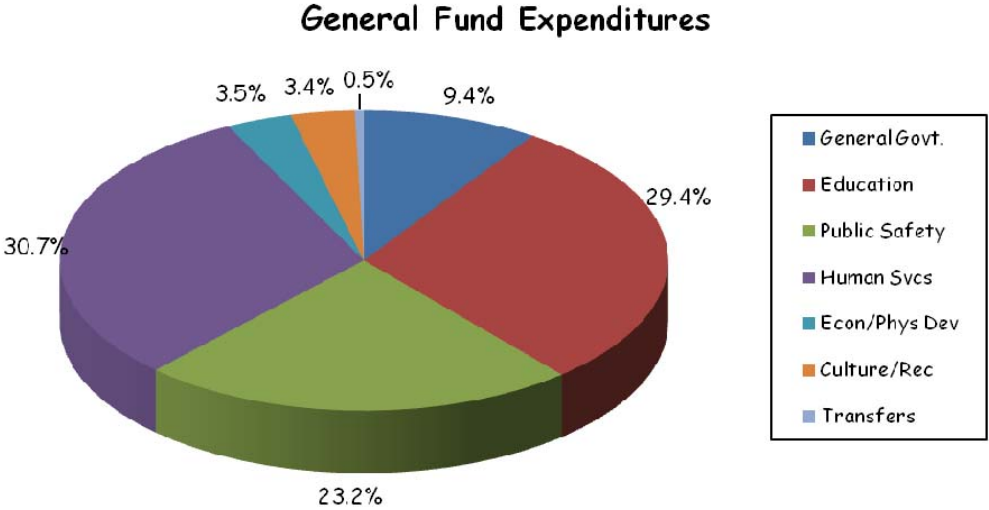
This budget reflects significant change in how services are being delivered. As departments presented their budget reduction plans, we started implementing those changes. To be sure we continue to focus on servicing our consumers; we can't wait until July 1<sup>st</sup> to make changes. It is not a magic date when you already know what changes are going to be made. Additionally, it gets the workforce refocused on service to know the changes; get them made; and get everyone back to focusing on the work we need to do. We will be a leaner, more focused organization. For example, we will contract with Land of Sky Regional Council of Governments to run JobLink and workforce development programs and to administer Mountain Mobility. We will contract with a private provider to provide daily Mountain Mobility services. Prenatal services are being transferred to Western North Carolina Community Health Services. Community Care of North Carolina will be providing Pregnancy Medical Home and Care Coordination for Children services.

Although we were able to reduce funding by \$7.9 million, there are needs that required increases in the budget. The FY2012 Budget Estimate includes funding increases for: two new intermediate schools; a state mandated increase in the retirement system contribution; income maintenance caseload growth and state budget shifts in Social

Services; funding for health insurance, workers compensation and unemployment claims; debt service for the Courthouse Phase II project; a countywide compensation study; fuel contingency; and recycling expenditures shifting from Solid Waste.

With fewer employees, it is critical that we have a trained, qualified workforce. We have to recruit and retain employees that are well prepared to provide our core services. Turnover is expensive, and we try to balance costs of having employees with the cost of losing good employees. Since 2001, we have been making changes to the Personnel policy to reduce future workforce expenses. This year, the changes included requiring everyone to start at the entry level for their positions; developing a leave hierarchy to reduce pay-outs when employees leave or retire; reducing personal time off days, leave accrual and longevity amounts. We need to offer reasonable salaries and benefits along with fair employment policies, safe work places, and adequate training so our employees can provide essential public services effectively. If we do not do that, we cannot attract and retain capable people as public servants. To ensure that we have balance in our compensation, this budget includes \$150,000 for a compensation study.

Like all North Carolina counties, our core businesses are education, human services and public safety. Core businesses include: social services, public health, transportation, aging programs, mental health; workforce development; detention center; civil process and court security; emergency management; emergency medical services; court support; juvenile detention; Buncombe County Schools, Asheville City Schools, and Asheville-Buncombe Technical Community College. The following chart reflects the division of expenditures by functional service for the General Fund:



Core business budgets consume 83.3 percent (\$214,118,500) of our FY2012 General Fund Budget Estimate. The history of core service expenditures are reflected in the following table:

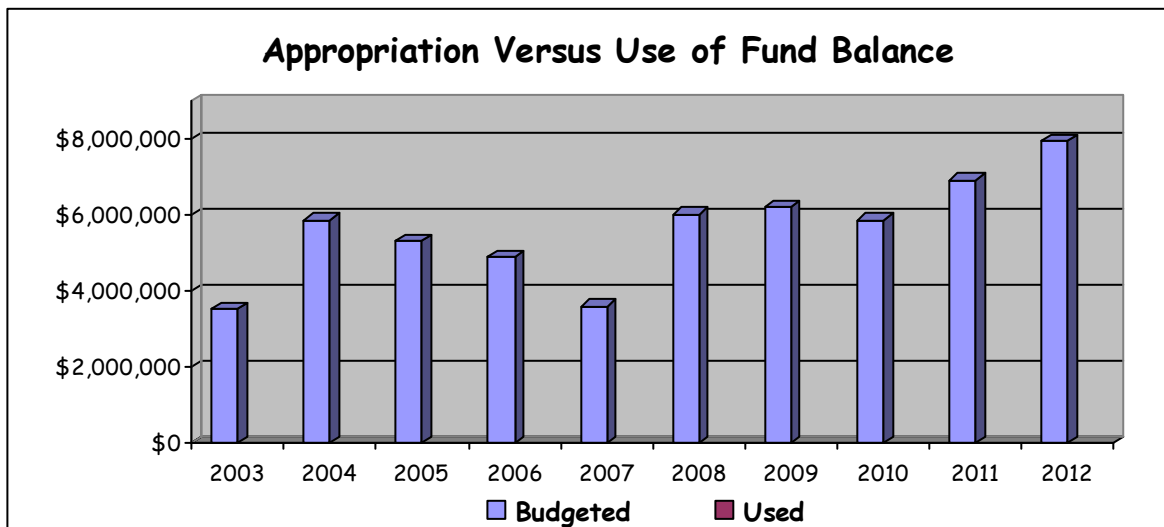
Function	Expenditures		
	FY2010	FY2011	FY2012
Education	72,961,465	72,490,575	75,531,762
Human Services	75,481,694	76,420,365	78,832,273
Public Safety	54,078,237	56,730,379	59,754,465
Total Exp	202,521,396	205,641,319	214,118,500
% of Budget	81.0	81.3	83.3

The balance of the General Fund budget includes services such as administration, information technology, finance, human resources, facilities, tax, election services, register of deeds, economic development, planning, permitting, recreation, and libraries. The following table reflects the expenditure breakdown for the General Fund:

Function	Expenditures	Revenues	Net County Cost	% of Total Budget
General Government	\$24,097,616	\$5,189,888	\$18,907,728	9.4%
Education	75,531,762	9,078,173	66,453,589	29.4%
Public Safety	59,754,465	10,360,266	49,394,199	23.2%
Human Services	78,832,273	41,233,594	37,598,679	30.7%
Economic/Phys Dev	8,952,048	654,924	8,297,124	3.5%
Culture/Recreation	8,737,184	1,249,000	7,488,184	3.4%
Capital/Transfers	1,244,673	0	1,244,673	0.5%
<b>TOTAL</b>	<b>257,150,021</b>	<b>67,765,845</b>	<b>189,384,176</b>	<b>100%</b>

### Balancing the Budget:

Fund Balance Appropriation is one means to help lower the burden on property tax owners. Each year we appropriate fund balance with the challenge to save the appropriated amount. Historically, we have been able to do that. The FY2012 Budget Estimate includes a fund balance appropriation of \$7,962,430. The following graph reflects the historical appropriation versus use of fund balance in our annual budgets:



## Other Taxing Districts:

During our budget process, we set property tax rates for 27 other taxing districts. The following schedule reflects the requested rates for the fire districts and Asheville City Schools. None of these agencies requested an increase in the property tax rate.

<b>Buncombe County - Fire, Ambulance and Rescue Service Districts Ad Valorem Tax Rates (in cents)</b>		
<b>District</b>	<b>FY2011 Tax Rate</b>	<b>FY 2012 Requested Tax Rate</b>
Asheville Suburban	8.5	8.5
Barnardsville/Barnardsville N.E.	15.0	15.0
Beaverdam/Beaverdam N.C.	11.0	11.0
Broad River	10.0	10.0
East Buncombe	9.0	9.0
Enka-Candler	7.5	7.5
Fairview	7.5	7.5
Fletcher	7.8	7.8
French Broad	12.0	12.0
Garren Creek	14.0	14.0
Haw Creek-Asheville	9.0	9.0
Haw Creek-Reems Creek	9.0	9.0
Haw Creek-Riceville	9.0	9.0
Jupiter	9.5	9.5
Leicester/Leicester N.W.	10.0	10.0
N. Buncombe /N. Buncombe N.E.	10.6	10.6
N. Buncombe N. C.	10.6	10.6
Reems Creek/Reems Creek N.C.	12.0	12.0
Reems Creek N. E.	12.0	12.0
Reynolds	11.0	11.0
Riceville	11.0	11.0
Skyland/Skyland-S. Buncombe	7.8	7.8
Swannanoa	12.0	12.0
Upper Hominy/Upper Hominy S.D.	11.0	11.0
Woodfin/Woodfin N.C.	10.0	10.0
W. Buncombe/W. Buncombe N.W.	9.0	9.0
<b>School District Ad Valorem Tax Rate (in cents)</b>		
Asheville City Schools	15.0	15.0

We appreciate the Board of County Commissioners' support, guidance and service to our citizens. With continuing economic challenges, our citizens need County services more than in years past. Every day most of our employees touch a person's life, often having a very significant impact on the person and our community. This budget focuses on maintaining quality in our core service areas that citizens need most.

We SERVE our citizens in a way that honors the need to hold costs down for all citizens while serving more citizens than have traditionally needed our services.

As always, Buncombe County Government is here to SERVE.

Respectfully submitted,

*Wanda Greene*

Wanda S. Greene, PhD, CPA  
County Manager