



FY2022 Budget Work Session

Presented by

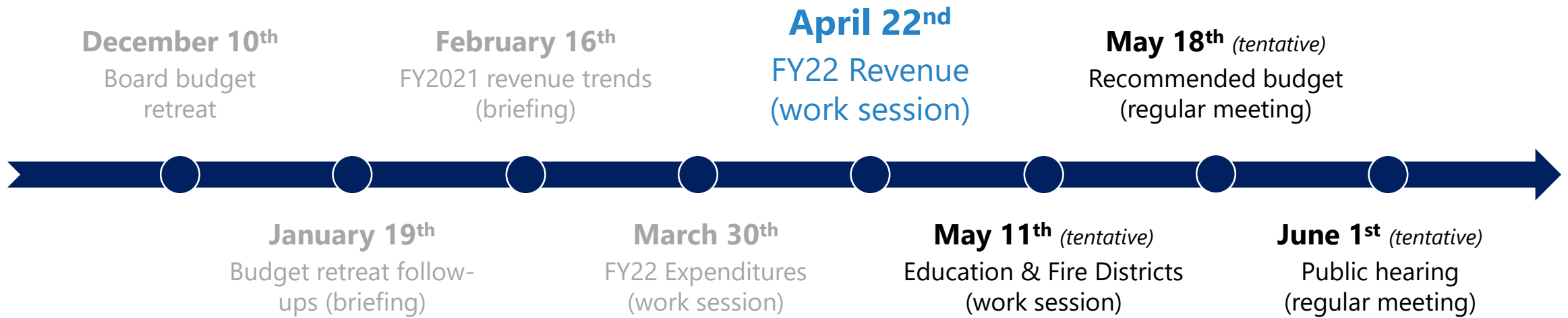
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April 22, 2021



Budget Meetings



Overview

1. FY21 year-end projection
2. Follow-ups & changes from 3/30 work session
3. Concepts: balanced budget & revenue-neutral calculation
4. FY22 first pass revenue



FY2021 Year-End Projections



FY21 Budget Overview

\$347.2 million
budgeted expenditures

\$332.0 million
budgeted revenues
(excluding appropriated fund balance)

\$15.1 million
appropriated fund balance
(FY2021 amended budget)



FY21 General Fund Projection

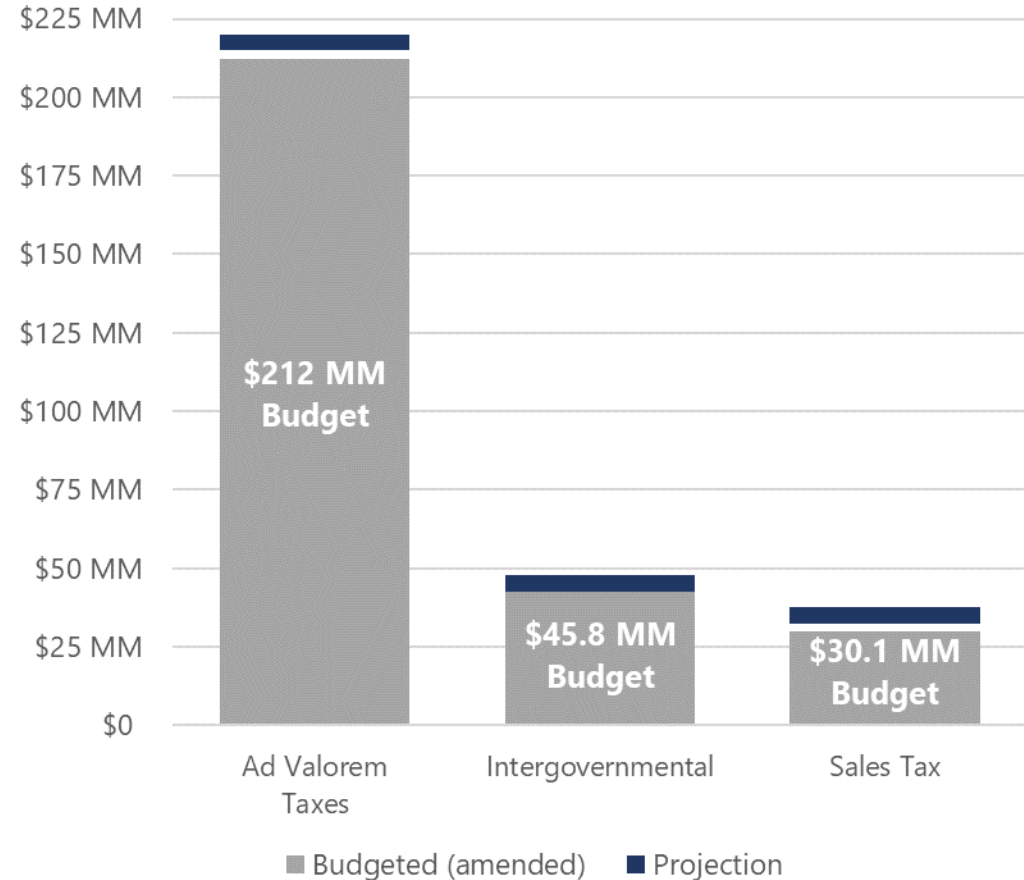
Revenue by Type

\$332.0 million
budgeted revenues
(excluding appropriated fund balance)

\$337.6 million
projected revenues

101.7%
projected revenues of budget
(excluding appropriated fund balance)

Top 3 revenue types



FY21 General Fund Projection

Revenue Variance

Revenue Source (millions of \$)	FY2021 Amended	FY2021 Projected	Variance	Variance due to:
Sales Tax	30.1	35.0	4.9	Economic activity higher than projected
Medicaid Hold Harmless	0.0	1.4	1.4	One-time, unbudgeted payment from state
Ad Valorem Taxes	212.2	217.6	5.4	Budgeted 99.0% collection vs. projected 99.50% collection
Remaining Sources	89.8	83.6	(6.1)	No debt financing of vehicles, interfund transfers, & market conditions
Total	332.0	337.6	5.5	



FY21 General Fund Projection

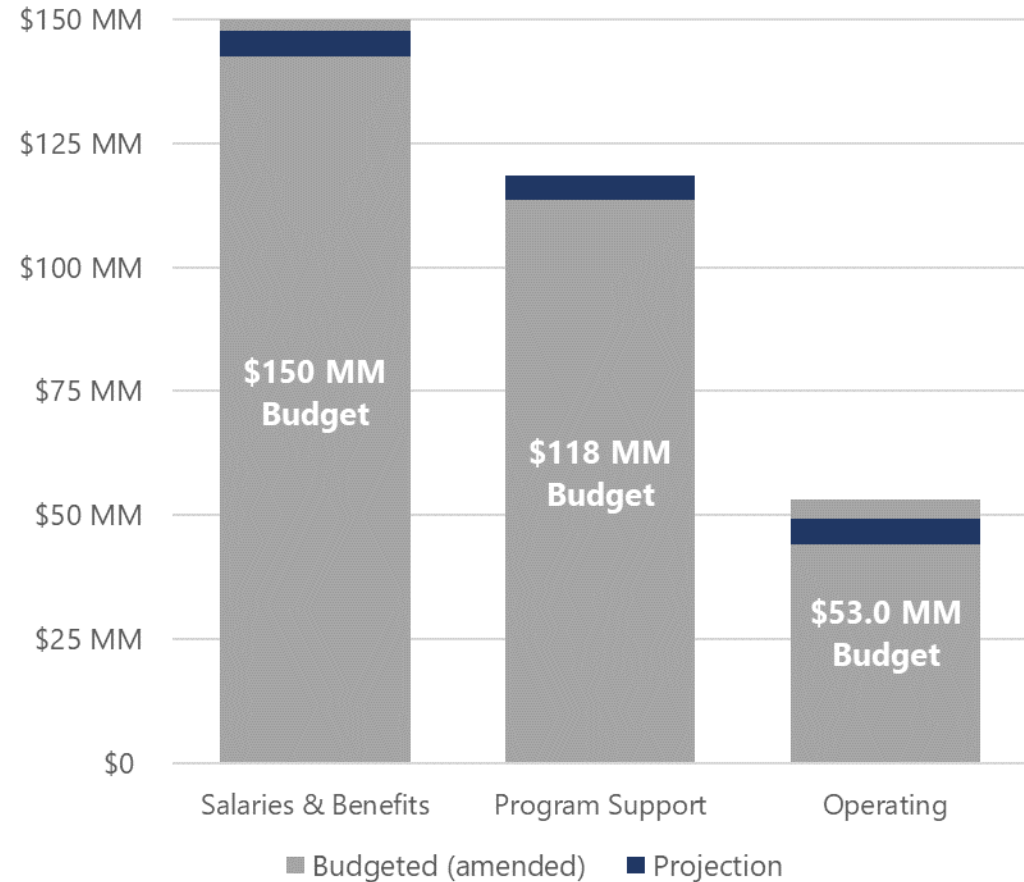
Expenditures by Type

\$347.2 million
budgeted expenditures

\$334.1 million
projected expenditures

96.2%
projected expenditures of budget

Top 3 expenditure types



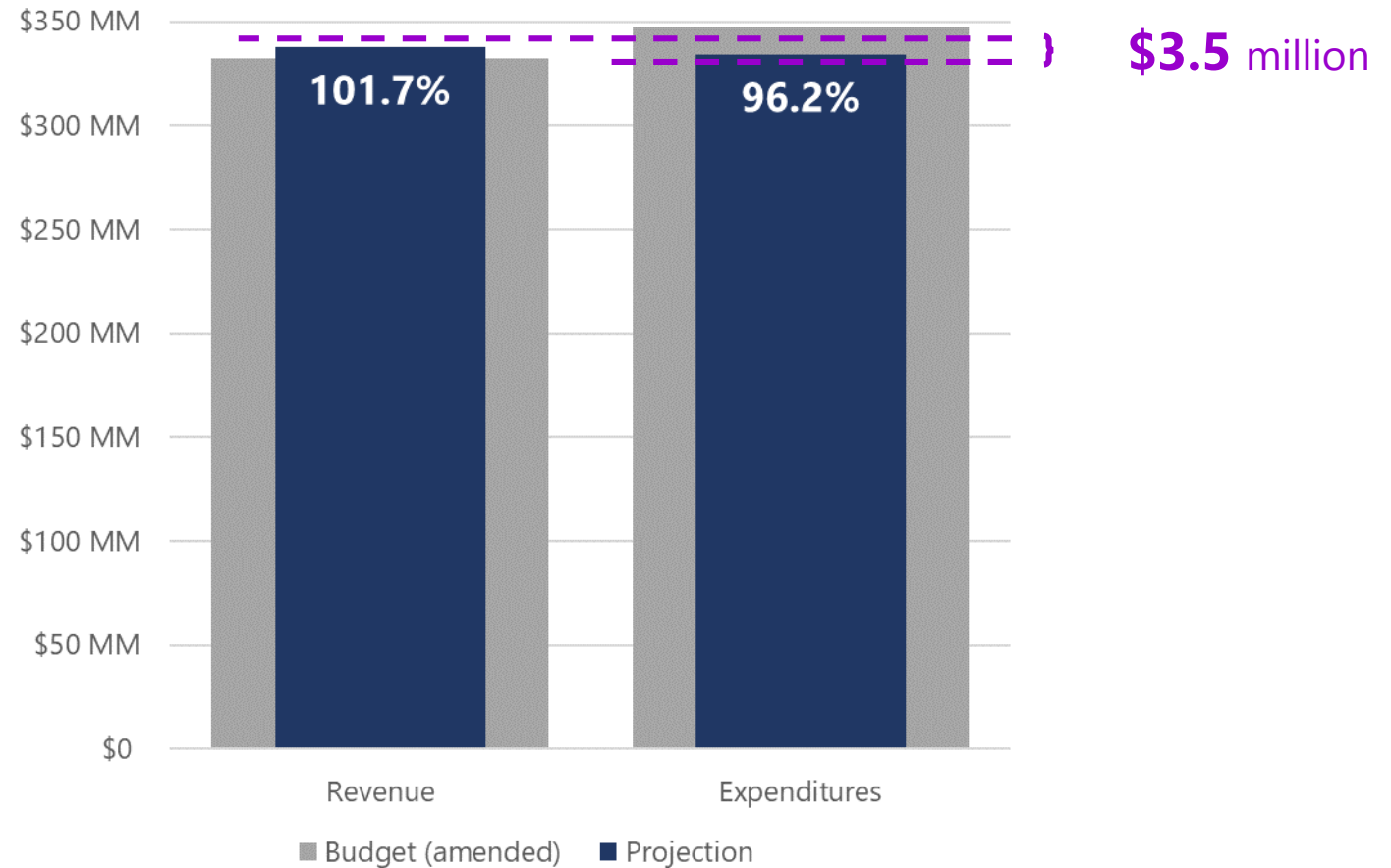
FY21 General Fund Projection

\$15.1 million

budgeted appropriated fund balance
(FY21 amended)

\$3.5 million

projected contribution to fund balance



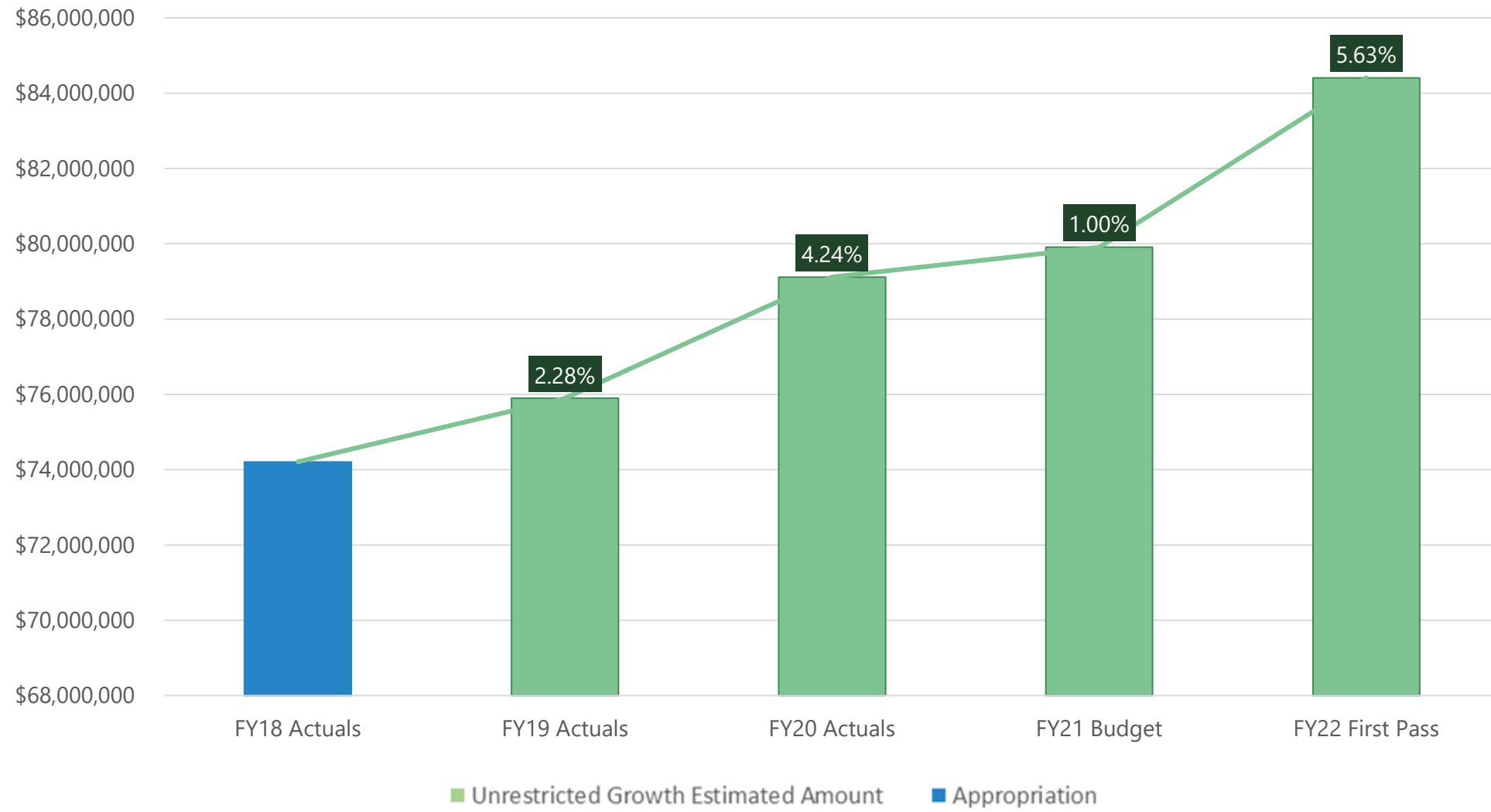
Follow-ups from March 30th Work Session



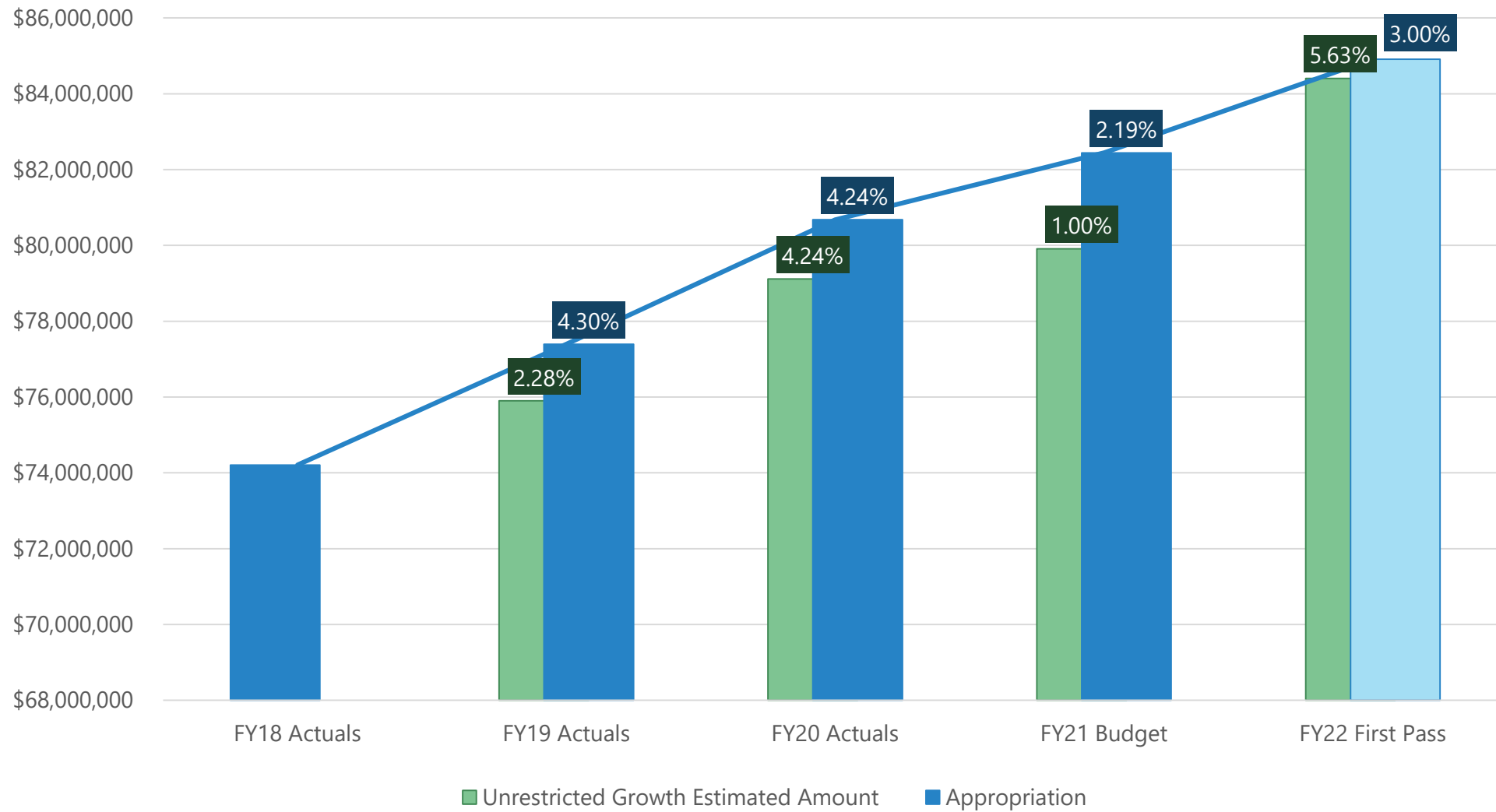
Expenditure Changes since previous Work Session (3/30)

Initiative (thousands of \$)	Increase (Decrease)	Change due to:
Early Childhood Education	851	Increase to \$3.75 million total investment for FY22
Conservation Easements	606	Increase to \$750k for easements, 1 new position, 1 reclass.
Education Special Projects	300	Establishes education special projects funding
Mountain Mobility	256	Offset NCDOT funding loss, \$1.64 million total investment
Achievement Gap	255	Fund one cohort in pilot program
Dashboard & Body Cameras	220	Finalized cost estimate for new Sheriff vehicles
Equity Officer	167	Added new position: Equity Officer
IT Projects	(125)	Finalized costs for IT governance projects
Department-submitted	(945)	Refinement of operating budget requests
Lapsed Salary Reduction	(2,300)	Reduction of FY22 lapsed salary estimate
Total	(715)	

K-12 Education: Historical Growth



K-12 Education: Historical Growth



Safety + Justice Challenge Grant

Full Year Cost

- Current grant covers pre-trial screener positions through Jan. 31, 2022
- County funding would be needed to continue staffing pre-trial screener positions in FY22 from Feb. through Jun. 2022 (5 months)
- Personnel request is for one (1) new FTE and two (2) new PTEs for a FY22 total of \$58,724 (5 months)
- **Full year (FY23) cost for positions totals \$116,516**



Community Paramedicine Grant

Full Year Cost

- Program consists of 4 FTEs – 1 Program Manager and 3 Community Paramedics
- \$499,953 grant received to fund current program which expires December 31, 2021
- County funding in the amount of \$240,515 would be needed to continue the program from January 1 through June 30, 2022 (6 months)
- **Full year (FY23) cost for positions totals \$430,837**



New Position: Environmental Health Specialist

On-Site Septic & Wastewater

	FY2019	FY2020	FY2021	FY2022
	Actuals	Actuals	Amended	Requested
Expenditures	\$ 842,737	\$ 949,548	\$ 933,908	\$ 1,032,310
Fee Revenue	\$(393,102)	\$(405,560)	\$(393,102)	\$(427,550)
Percent of Budget covered by Revenue	46.6%	42.7%	42.1%	41.4%

- Review of peer comparisons demonstrate fees are in alignment
 - No fee changes recommended at this time
- Requesting to move forward with position



New Position: Environmental Health Specialist

On-Site Septic & Wastewater

- Full year (FY22) cost for position totals \$93,152
- **Action:**
 - Approve position at May 4th regular meeting & begin hiring process
 - **-or-**
 - Approve position in FY22 adopted budget



Concepts



Expenditures

Foundational

Recurring

Routine annual commitment

Examples:

- Salaries & benefits
- Operating expenses
- Education (school systems)
- Debt service

One-time

One-time appropriations

Examples:

- Capital PAYGO projects
- IT software projects
- Vehicles
- Other ad hoc needs

Strategic Plan Priorities

Community

Annual commitment to community focus areas

Examples:

- Affordable housing
- Conservation easements
- Early childhood education
- Greenways

What is a balanced budget?

“The sum of estimated net revenues and appropriated fund balances is equal to appropriations.”

(NC G.S. §159-8)

What is our goal?

Structural balance: one-time revenue (including appropriated fund balance) does not exceed one-time expenses



What is revenue-neutral?

“The rate that is estimated to produce revenue for the next fiscal year equal to the revenue that would have been produced for the next fiscal year by the current tax rate if no reappraisal had occurred.”

(NC G.S. §159-11)



How is revenue-neutral calculated?

“The budget officer shall first determine a rate that would produce revenues equal to those produced for the current fiscal year and then **increase the rate by a growth factor** equal to the average annual percentage increase in the tax base due to improvements since the last general reappraisal.”

(NC G.S. §159-11)



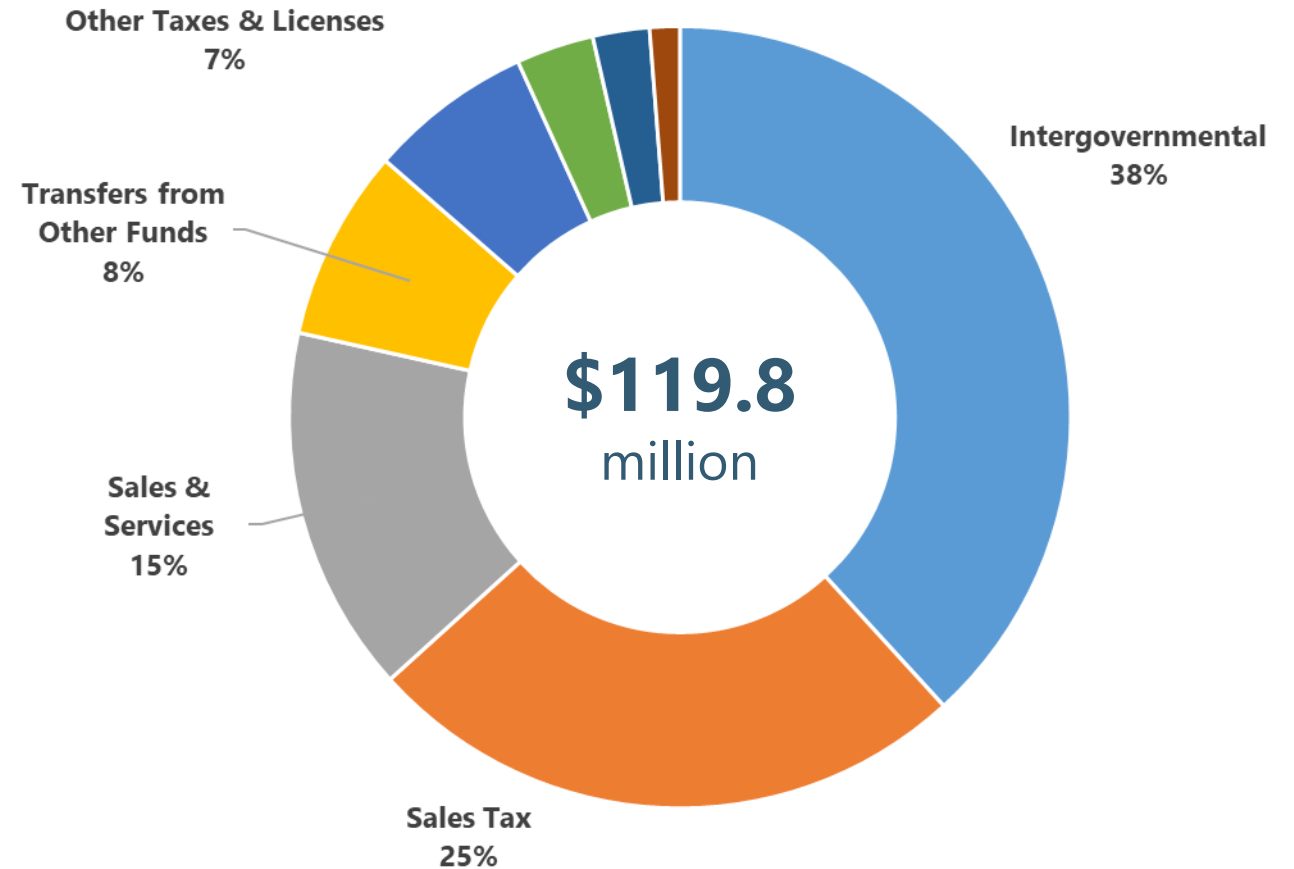
FY22 First Pass Revenue



FY2021 Amended: Revenue

Excluding Ad Valorem Taxes

Revenue Source (millions of \$)	FY2021 Amended
Intergovernmental	46
Sales Tax	30
Sales & Services	18
Transfers from Other Funds	10
Other Taxes & Licenses	8.1
Permits & Fees	3.9
Other Revenue*	2.8
Bond Proceeds	1.5
Total	119.8

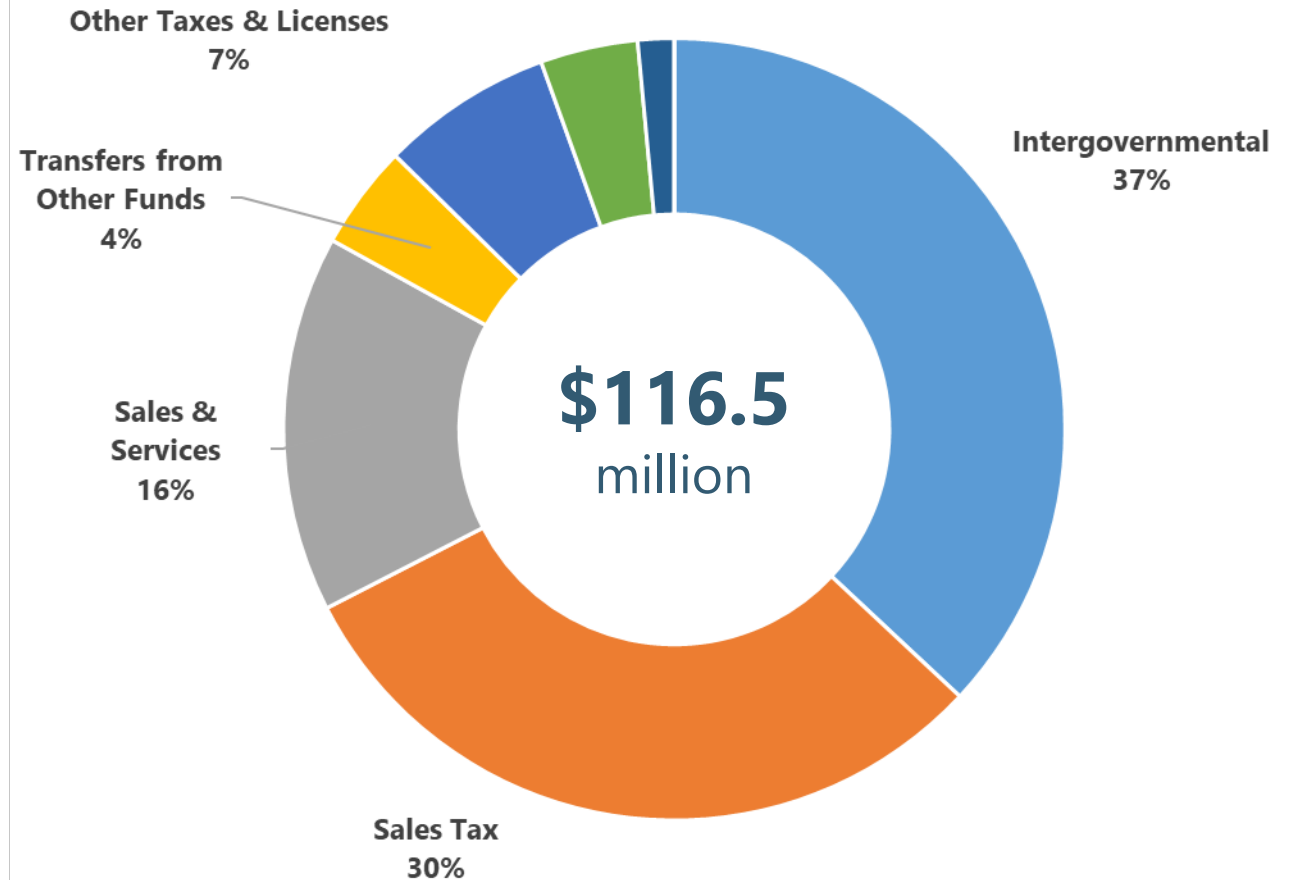


*Note: Other Revenue includes grant revenue, investment earnings, program revenue, and sale of assets. FY2021 amended budget as of April 16, 2021

FY2022 First Pass: Revenue

Excluding Ad Valorem Taxes

Revenue Source	FY2022
(millions of \$)	First Pass
Intergovernmental	43
Sales Tax	35
Sales & Services	18
Transfers from Other Funds	5.0
Other Taxes & Licenses	8.3
Permits & Fees	4.7
Other Revenue*	1.7
Total	116.5



*Note: Other Revenue includes grant revenue, investment earnings, program revenue, and sale of assets

General Fund Revenue Comparison

Category (millions of \$)	FY2021 Amended	FY2022 First Pass	Variance
Intergovernmental	46	43	(2.7)
Sales Tax	30	35	5.4
Sales & Services	18	18	(0.0)
Transfers from Other Funds	10	5.0	(4.5)
Other Taxes & Licenses	8.1	8.3	0.2
Permits & Fees	3.9	4.7	0.8
Other Revenue*	2.8	1.7	(1.1)
Bond Proceeds	1.5	0.0	(1.5)
Total	119.8	116.5	(3.4)

↓ \$3.4 million

*Note: Other Revenue includes grant revenue, investment earnings, program revenue, and sale of assets. FY2021 amended budget as of April 16, 2021

Sales Tax Revenue

Article (millions of \$)	County Share	FY2020 Actual	FY2021 Amended	FY2021 Projected	FY2022 First Pass
39	50%	15.0	13.9	15.9	16.0
40	70%	10.0	9.2	11.0	11.3
42	40%	7.6	7.0	8.1	8.2
	Total	32.5	30.1	35.0	35.5
46	0%	13.9	12.7	14.5	14.9



Revenue-Neutral Calculation

Current (January 1, 2020)

- Property tax rate = 52.9¢ per \$100 of assessed value
- Assessed value = **\$41.0 billion**
- Property tax revenue:

$$\frac{\$41,013,664,310}{100} * 52.9¢ = \$216,962,284$$

Reappraisal (January 1, 2021)

- Reassessed value = **\$48.0 billion**
- Historical annual tax base growth = **3.57%**
- Revenue-neutral tax rate:

$$\frac{\$216,962,284 * 100}{\$48,026,332,725} * 103.57\% = 46.8¢$$

What do we mean by “sustainable” tax rate?

- Ensures structurally balanced budget
- Covers expected financial obligations over period of time
- Maintains fund balance minimum (15%) over time

Our targets

- Single tax rate for multi-year period
- Above 15.0% fund balance at FY2023 year end



Ad Valorem Tax Revenue

(67%)

Property Type (billions of \$)	FY2020 Property Value	FY2021 Property Value	FY2022 Property Value
Real Estate	33.9	34.7	41.9
Motor Vehicle	2.5	2.5	2.5
Personal Property	2.0	2.7	2.5
Public Service	0.9	1.0	1.0
Total	39.3	41.0	48.0

	FY2020 Actual	FY2021 Amended	FY2022 First Pass
Tax Rate	52.9¢	52.9¢	48.9¢
Budgeted Collection Rate	99.75%	99.0%	99.5%
Revenue*	\$ 206,786,990	\$ 212,211,847	\$ 234,074,524

↑ **2.1 ¢** vs.
Revenue-Neutral



Note: Ad valorem revenue includes current year, prior first year, interest, and property audit discoveries

FY2022 First Pass Tax Rate: 48.9¢

	FY2021 (Value as of Jan. 1, 2020)	FY2022 (Value as of Jan. 1, 2021)	Growth
Median Home Value	\$231,400	\$291,000	26%
Buncombe Tax Rate	52.9¢	48.9¢	2.1¢ above revenue-neutral
Total	\$1,224	\$1,423	\$199



FY2022 First Pass Tax Rate: 48.9¢

	FY2022 Revenue-Neutral	FY2022 First Pass	Variance
Tax Base (value)	\$48 billion	\$48 billion	-
Buncombe Tax Rate	46.8¢	48.9¢	2.1¢ above revenue-neutral
Revenue (99.5% collection)	\$223.6 million	\$233.7 million	\$10.0 million



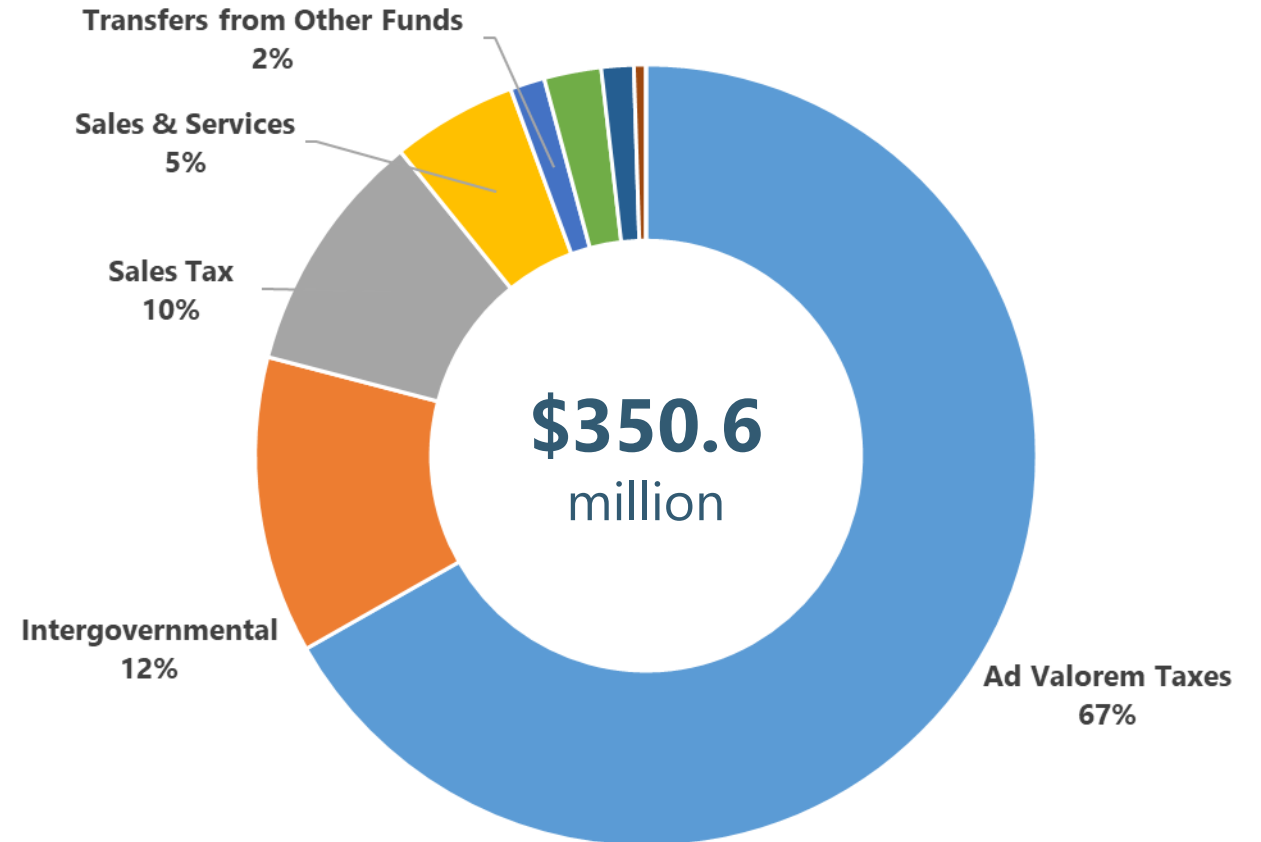
What's does \$10 million incremental property tax revenue pay for?

Strategic Focus Areas (millions of \$)	Key Driver (millions of \$)	FY2022 Change
Educated & Capable Community	Increase 3% to \$92.2 million for K-12 & AB Tech	2.7
	Increase to \$3.75 million for early childhood education	0.9
	Establish education special projects fund	0.3
Environmental & Energy Stewardship	Increase to \$750k for conservation easements	0.5
	Expand personnel to manage conservation easements	0.1
Resident Well-Being	Increase to \$1.6 million transfer for Mountain Mobility	0.3
	Increase to \$645k annual transfer for Greenways	0.3
	Continue Community Paramedicine with county funds	0.2
Foundational	Capital & IT projects (PAYGO + debt issuance)	1.5
	Increase in new vehicles & capital equipment	1.3
	FY22 new positions (excluding conservation, paramedicine)	1.2
	Deferred maintenance (related to facilities plan)	0.5
	Deferred IT needs (maintenance, replacement)	0.2
Total		10.0



FY2022 First Pass: Revenue

Revenue Source	FY2022
(millions of \$)	First Pass
Ad Valorem Taxes	234
Intergovernmental	43
Sales Tax	35
Sales & Services	18
Transfers from Other Funds	5
Other Taxes & Licenses	8.3
Permits & Fees	4.7
Other Revenue*	1.7
Total	350.6
Appropriated Fund Balance	9.0
Total	359.6



*Note: Other Revenue includes grant revenue, investment earnings, program revenue, and sale of assets

General Fund Revenue Comparison

Category (millions of \$)	FY2021 Amended	FY2022 First Pass	Variance
Ad Valorem Taxes	212	234	21.9
Intergovernmental	46	43	(2.7)
Sales Tax	30	35	5.4
Sales & Services	18	18	(0.0)
Transfers from Other Funds	10	5.0	(4.5)
Other Taxes & Licenses	8.1	8.3	0.2
Permits & Fees	3.9	4.7	0.8
Other Revenue*	2.8	1.7	(1.1)
Bond Proceeds	1.5	0.0	(1.5)
Total	332.0	350.6	18.5
Appropriated Fund Balance	15.1	9.0	(6.1)
Total	347.2	359.6	12.5

\$10 million
ad valorem revenue
above revenue-neutral

*Note: Other Revenue includes grant revenue, investment earnings, program revenue, and sale of assets. FY2021 amended budget as of April 16, 2021

Baseline Scenario

Revenue

- 48.9¢ property tax rate (2.1¢ above revenue-neutral)
- 3.0% annual growth in property tax base
- \$35.5 million sales tax revenue in FY22 (pre-COVID trends)
- Other revenues: 1% to 3% annual growth (varies by source)

Expenditures

- 3.0% annual growth in education
- 2.5% annual growth in operating
- 3.0% annual growth in personnel
- Increased investments in strategic plan priorities

Target: above 15.0% fund balance ending FY23



Financial Outlook

Category (millions of \$)	FY2021 Projected	FY2022 Recommended	FY2023 Projected	FY2024 Projected	FY2025 Projected
Expenditures	334.1	359.6	367.6	379.0	389.4
Foundational Recurring	321.8	341.1	349.4	360.0	369.6
Foundational One-time	1.4	5.2	4.9	5.0	5.1
Strategic Plan Priorities	10.8	13.3	13.3	14.0	14.6
Revenue	(337.6)	(350.6)	(360.2)	(369.9)	(379.1)
Property Tax	(217.6)	(234.1)	(241.3)	(248.9)	(256.4)
All other revenue	(120.0)	(116.5)	(118.9)	(121.0)	(122.7)
Appropriated Fund Balance	(3.5)	9.0	7.4	9.1	10.2
Fund Balance (% of Expenditures)	22.7%	18.5%	16.1%	13.2%	10.3%
Value of 1¢ property tax	\$4.1 million	\$4.8 million	\$4.9 million	\$5.1 million	\$5.2 million

Note: FY2021 projected based on actuals through March 31, 2021. FY2022 recommended includes 48.9¢ ad valorem tax rate

