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May 28, 2013

Buncombe County Board of Commissioners:

The Honorable David Gantt, Chairman
The Honorable Holly Jones, Vice-Chairwoman
The Honorable Brownie Newman
The Honorable Joe Belcher
The Honorable David King
The Honorable Mike Fryar
The Honorable Ellen Frost

Mr. Chairman and Members of the Board:

Each year, it is my pleasure, privilege and responsibility to present the Board of County Commissioners and citizens of Buncombe County a balanced budget. The recommended budget for fiscal year 2013-2014 (FY2014) is \$337,116,416. The budget is prepared and balanced under the guidelines of the North Carolina Local Government Budget and Fiscal Control Act. This recommendation includes a General Fund Budget of \$264,608,920 and Non-General Fund operating plans totaling \$72,507,496. This is a 0.7 percent decrease (\$1.8 million) from the FY2012-2013 General Fund budget. The non-general fund operation plans are paid for with fees and special revenues. This message focuses on the General Fund portion of the budget.

Since late 2008, the nation has struggled through a recession. Nowhere is that clearer than in the results of the county property reappraisal. We saw county-wide values decrease by \$2.8 billion, from \$30.4 billion to \$27.6 billion, dropping the value of a penny on the tax rate from \$2,990,718 to \$2,714,897. In 2003, the North Carolina General Assembly enacted S.L. 2003-64 requiring every jurisdiction to publish a "revenue-neutral" tax rate that produces the level of property tax generated with the previous rate and tax base. Once all the components are factored into the calculation, our revenue neutral rate is 57.83 cents.

As we have for many years, this budget was prepared using three key principles to guide the decision-making process:

- Focus on core services and priorities
- Realign existing resources to meet priority needs

- Maintain our long-term planning focus

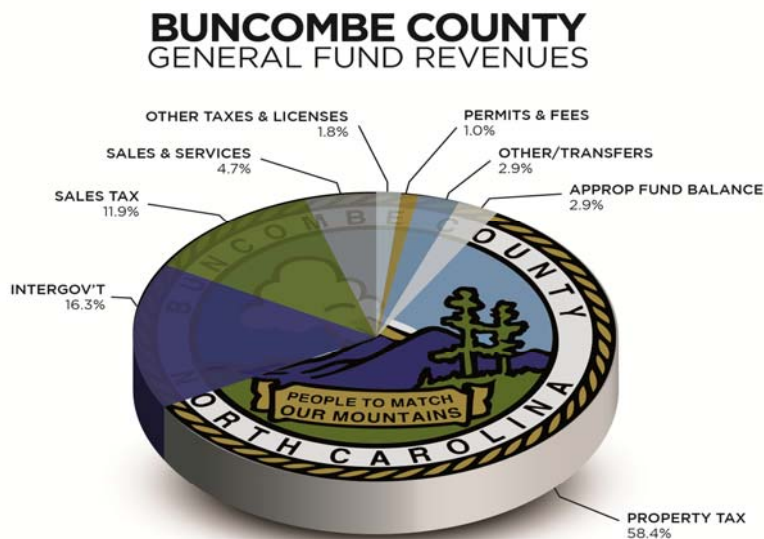
The FY2014 Recommended Budget reflects these principles and continues our strong financial management of County resources.

I am cautiously optimistic that we have hit bottom in this recession and are seeing some upward mobility. There are modest signs of economic recovery in recent months. Unemployment levels are down to 7 percent and are the 3rd lowest of the state's 14 metro areas. We continue to be below the state's unemployment rate of 8.5 percent and the national rate of 7.1 percent. Existing home sales are up by 21 percent over the same period last year and the existing months of "inventory for sale" are down by 19 percent. Jobs, which our citizens list as one of their top priorities, continue to grow. Since the recession began in late 2008, we have announced new investment of \$656 million and 2,717 new jobs. I believe we will see several additional announcements in FY2014.

Following is information on revenues and expenditures specific to the FY2014 Recommended Budget:

Revenues - Where the Money Comes From

Property tax represents 58 percent of our general fund revenue. In North Carolina, counties can access only those limited revenue streams that the North Carolina General Assembly authorizes counties to use. While conditions continue to improve in certain sections of the economy, public sector revenue streams have not returned to the pre-recession levels. The following chart reflects the sources of revenue included in the general fund budget:

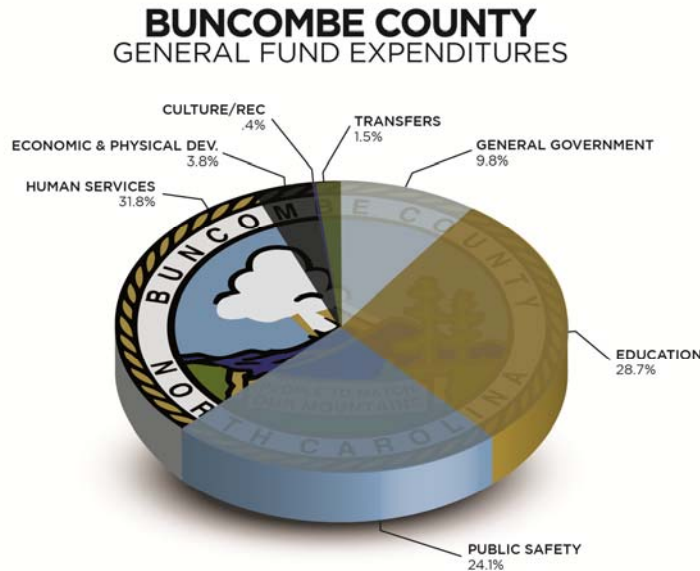


Composition of the County's General Fund Revenues is reflected in the following table:

Revenue Source	Revenues	% of 2014 Budget
Property Tax	\$154,477,663	58.4%
Intergovernmental	43,260,654	16.3%
Sales Tax	31,607,626	11.9%
Other Taxes & Licenses	4,837,184	1.8%
Permits & Fees	2,548,615	1.0%
Sales & Services	12,523,262	4.7%
Other Revenues	7,607,262	2.9%
Fund Balance	7,746,654	2.9%
TOTAL	\$264,608,920	100%

Expenditures - Where the Money Goes:

We continue to focus on providing core services to our citizens. While funding remains relatively level, demand for service, especially public safety and human service, continues to increase.



Core businesses of human services, public safety and education consume 84.5 percent (\$223,702,641) of our FY2014 General Fund Recommended Budget. The history of core service expenditures are reflected in the following table:

Function	Adopted Expenditures					
	FY2012	NCC	FY2013	NCC	FY2014	NCC
Education	\$75,531,762	\$66,453,589	\$75,809,954	\$66,153,591	\$75,867,142	\$65,767,563
Human Services	79,249,542	37,725,686	80,871,220	40,842,803	84,102,091	43,948,706
Public Safety	59,544,009	48,438,302	62,458,448	50,373,431	63,733,408	51,442,400
Total Exp	\$214,325,313	\$152,617,577	\$219,139,622	\$157,369,825	\$223,702,641	\$161,158,669
% of Budget	83.2%		82.4%		84.5%	

*NCC = net County cost

A number of factors are driving net county cost changes in the FY2014 budget. Reductions in federal government participation for adult protective services, child welfare services and IV-E TANF funding result in a \$2,377,000 increase in net costs. The school safety committee requests eight new social workers and seven school resource officers to improve safety in the school system. The total cost to fund the school safety recommendations is \$1,263,000. Affordable Care Act provisions require coverage of adult children under the age of 26 and a new reinsurance fee of \$63 per insured person. The fee, which begins January 1, 2014, and covering adult children increase our cost by \$928,000. Public Safety costs increase by \$1,202,000. Those costs include general operations and court security for our new courthouse which we expect to open in October. We are also opening two additional pods in our jail to accommodate the state changes in length of time misdemeanants have to be held in local jails. That legislation was effective in FY2013 and our daily population has increased by around 80 inmates.

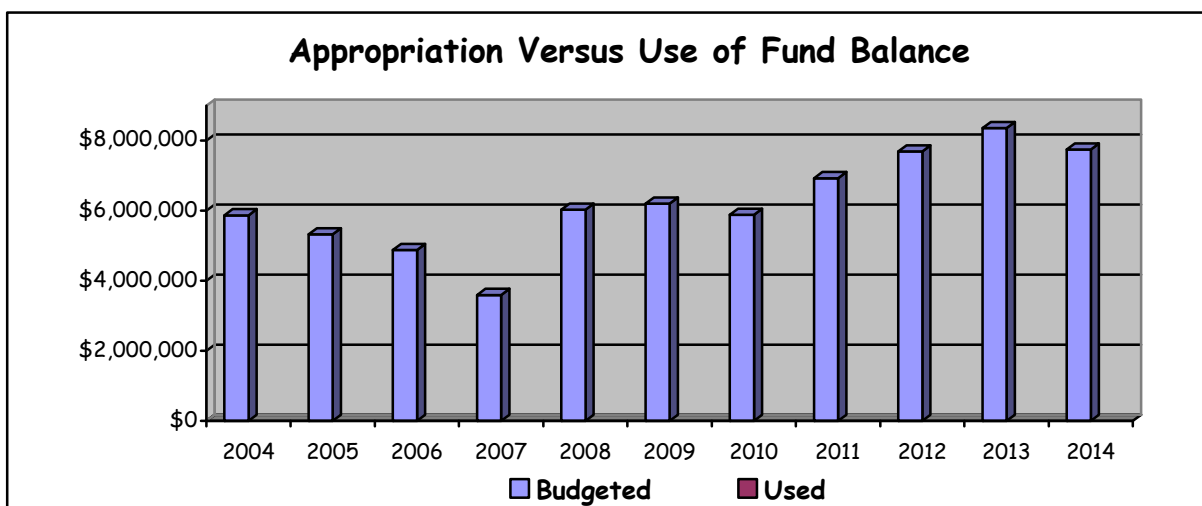
Asheville City Schools and Buncombe County Schools funding increase by \$1,673,778. This includes: a one percent increase for staff; health insurance rate increases; retirement rate contributions; technology support staff increases; and home based product/support. Asheville-Buncombe Community College (ABTCC) funding is reduced by \$2 million based on the \$2.6 million in local funds currently held in investment by ABTCC.

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	\$25,980,627	\$5,626,539	\$20,354,088	9.8%
Education	75,867,142	10,099,579	65,767,563	28.7%
Public Safety	63,733,408	12,291,008	51,442,400	24.1%
Human Services	84,102,091	40,153,385	43,948,706	31.8%
Economic/Phys Dev	9,940,229	1,439,251	8,500,978	3.8%
Culture/Recreation	998,835	293,000	705,835	0.4%
Capital/Transfers	3,986,588		3,986,588	1.5%
TOTAL	\$264,608,920	\$69,902,762	\$194,706,158	100%

Fund Balance Appropriation is one means to keep property tax rates lower. Each year we appropriate fund balance with the challenge to save the appropriated amount. Historically, we have been able to do that. The FY2014 Budget Estimate includes a fund balance appropriation of \$7,746,654. The following graph reflects the historical appropriation versus use of fund balance in our annual budgets:



Culture and Recreation Authority:

Over the years, we have been challenged to strike an equitable funding balance between core and non-core services. It has been very difficult for non-core services such as libraries, parks, recreation and greenways to compete annually for funding. While these services are not part of our core requirements, they are significant to our quality of life. As the economy recovers, we anticipate it will still be challenging to balance the core/non-core funding requests. However, the County is committed to supporting our valuable quality of life services. Through HB418, we have the opportunity to establish a Culture and Recreation Authority that will serve as an independent entity focused on wellness and cultural amenities. The Authority will have a dependable, dedicated and sustainable revenue source to secure our recreational and cultural services and facilities.

County Tax Rate Impact:

To better preserve and enhance culture and recreation amenities, we are asking that you establish a Culture and Recreation Authority and set a 3.5 cent tax rate for the Authority. This would cover County programs and facilities that would be transferred to the Authority. Should municipalities opt to become part of the Authority before budget adoption, the rate would be adjusted based on the programs and facilities that each municipality transfers to the Authority.

In addition to the Culture and Recreation Authority rate, I am recommending a 56.9 cent tax rate for Buncombe County Government. This is the rate used to bring you a balanced FY2014 budget. Should HB418 be delayed, it will take the combination of these two rates to fund the existing programs.

Other Taxing Districts:

During the budget process, the County also sets property tax rates for other taxing districts. The following schedule reflects the revenue neutral and requested rates for the fire districts and Asheville City Schools. The requested increases noted in red.

Buncombe County Fire, Ambulance and Rescue Service Districts Ad Valorem Tax Rates (in cents)		
District	FY 2014 Revenue Neutral Tax Rate	FY 2014 Requested Tax Rate
Asheville Suburban	8.6	8.5
Barnardsville/Barnardsville N.E.	15.5	15.0
Beaverdam/Beaverdam N.C.	12.0	13.0
Broad River	12.0	14.0
East Buncombe	9.9	9.9
Enka-Candler	8.3	9.0
Fairview	8.8	10.5
French Broad	14.0	14.0
Garren Creek	15.0	14.0
Haw Creek-Asheville	9.9	9.7
Haw Creek-Riceville	9.3	9.0
Jupiter	10.2	12.0
Leicester/Leicester N.W.	11.1	11.0
N. Buncombe /N. Buncombe N.E. N. Buncombe N. C.	11.2	11.2
Reems Creek/Reems Creek N.C. Reems Creek N. E. Haw Creek-Reems Creek	13.0	13.0
Reynolds	11.3	11.3
Riceville	11.3	11.0
Skyland/Skyland-S. Buncombe Fletcher	9.1	9.1
Swannanoa	12.9	12.9
Upper Hominy/Upper Hominy S.D.	13.9	12.5
Woodfin/Woodfin N.C.	10.3	10.0
W. Buncombe/W. Buncombe N.W.	10.9	10.0
School District Ad Valorem Tax Rate (in cents)		
Asheville City Schools	14.7	15.0

These difficult and uncertain economic times have required discipline and sacrifice in all aspects of government and life in general. The County will continue finding opportunities to reorganize and streamline operations leading to a leaner organization that effectively and efficiently serves our citizens.

We appreciate the Board of County Commissioners' support and guidance as we prepare the budget that serves our citizens. We are in the people business - and that includes a wide

spectrum of services. With continuing economic challenges, we find our citizens need our services as much as in years past. Every day most of our employees touch a person's life, often significantly impacting the person and our community. While providing an opportunity to segregate our culture and recreation programs and ensure their security with separate funding, this budget focuses on maintaining quality in our core service areas that citizens need for their health and safety.

It is our intention to SERVE our citizens using guidelines and practices that honor the need to hold costs down for everyone while serving more citizens than were served before the recession.

As always, Buncombe County Government is here to SERVE.

Respectfully submitted,

A handwritten signature in cursive script that reads "Wanda Greene". The signature is written in black ink and is positioned above the typed name and title.

Wanda S. Greene, PhD, CPA
County Manager