

Fiscal Year 2020–2021 Manager Recommended Budget

Board of Commissioners Chambers
Wentworth, NC
May 18, 2020

Budget Team Members

- Lance L. Metzler – County Manager
- Paul Murray – Assistant County Manager
- Patricia Galloway – Finance Director
- Justin Thacker – Deputy Finance Director



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Rockingham County Strategic Planning

- **Vision:** Provide the best quality of life educationally, economically, and environmentally.
- **Mission:** Rockingham County Government will strive to provide the highest quality of life and the opportunities to achieve it.
- **Strategic Focus Areas:**
 - Economic Development
 - Organizational Efficiency and Effectiveness
 - Public Safety
 - Citizen Engagement / Communication
 - County Appearance / Environmental Enhancement
 - Quality of Life
 - Education



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COVID-19 Impact

- COVID-19 continues to impact citizens and County government.
- Two major impacts on the budget process:
 - 1) Revenue uncertainty – We have never experienced something like this. With no history to go on, items like sales tax, motor vehicle tax, and building permit revenue are harder to project.
 - 2) Reallocation of staff – Many key staff members and department heads were forced to put their normal duties aside and focus on protecting and informing citizens. This left less time for this year’s budget development.
- Given these two impacts, the Recommended Budget represents the best information we have at the present time.



Budget Process

- Guiding Principles
 - No property tax rate increase.
 - Recognize the impact of COVID-19
 - Maintain essential service delivery to citizens
- The budget process formally began in February, however preparations and forecasting began in late 2019.
- After all requests were submitted to the budget team, we arrived at a General Fund budget deficit of **\$11.5 million** or the equivalent of **15.3 cents** of the property tax rate.



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Recommended Budget Overview

- Recommend **no property tax increase**
 - **11th consecutive year** with no County property tax increase.
- Total General Fund Budget – **\$92,858,805**
 - Represents a \$1,497,837 or 1.6% increase from the current year's adopted General Fund budget.
- Total Budget (All Funds) – **\$130,874,220**
- One Penny = **\$752,933** (FY 2019/20 Adopted - \$741,022)



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Revenues – Ad Valorem

- **Current Year Ad Valorem** – \$52.3 million (increase of \$757,886 or 1.5%)
- Represents the largest source of discretionary revenue.
- Comprised primarily of four parts:
 - Real property value is projected to **increase 2.7 percent or \$140 million** next year, driven by the actual growth experienced to date. (approximately \$950,000 in revenue)
 - Personal property value is projected to **increase 1.7 percent or \$12 million** based on current year collections and historic trends. (approximately \$80,000 in revenue)
 - Public Utilities value is projected to **decrease 2 percent or 17.3 million** based on historic growth trends and current year actual experience. (approximately \$120,000 loss of revenue)
 - Motor vehicles value is projected to **decrease 2.8 percent or \$21.9 million** based on actual experience in the current year. (approximately \$150,000 loss of revenue)



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Revenues – Sales Tax

- **Total General Fund Sales Tax** – \$9,556,822 (\$725,000 or 7% **decrease** from current year budget)
- Above number does not include ¼ cent sales tax.
- Projecting a 10 percent decrease in the 4th quarter of the current year in sales tax revenue due to COVID-19.
- Original budget retreat projections prior to COVID indicated a \$370,000 increase.
 - Total swing of **\$1.1 million** from original projections.
- Full projected revenue from ¼ cent sales tax (\$1.91 million) transferred to Rockingham Community college.



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Revenues – Other Key Changes

- **EMS Fees (increase of \$400,000)**
 - Comes from actual experience in the current year and requested fee increase to remain within 130 percent of the Medicare allowable rate.
- **Integrated Health KBR Funding (increase of \$262,623)**
 - This represents the final payment from KBR for the Integrated Health Program.
 - Program requires **no County funds** next year.
- **DSS Revenue (increase of \$1,005,494)**
 - Driven by reimbursements for the increases in Retirement and Health Insurance as well as allocating staff to higher reimbursement programs where possible.
- **Interest Earned (decrease of \$181,108)**
 - Driven by the Federal Reserve lowering interest rates as well as potential COVID impacts on cash flow.



Revenues – Fund Balance

- **General Fund Balance Appropriated- \$2,895,594 (decrease of \$1,630 or 0.06 percent)**
 - Composed of 4 items:
 - \$2,600,000 annual fund balance plug (not expected to be spent).
 - \$120,891 in expected unearned Duke Energy incentive dollars.
 - \$131,903 in Public Health escrow funds (assigned fund balance) used for equipment, renovations, and to fund a part-time position in the Dental Clinic.
 - \$42,800 in KBR assigned fund balance (revenues earned in previous years but not spent) needed to balance the Integrated Health program with **no County funds** required.



Expenditures – Positions (3.725 FTE)

- **1.0 FTE Animal Shelter Technician (total expense - \$39,711; net budget impact \$31,711)**– Recommended to address an increase in the average number of animals housed in the shelter and stay in compliance with State regulations.
- **1.0 FTE Social Services Accounting Technician (total expense - \$54,303; net budget impact \$27,152)** – Recommended to allow the department to meet increased reporting requirements, audits, and ensure the County can draw down as much State and Federal dollars as possible.
- **0.5 FTE Dental Clinic Administrative Assistant I (total expense \$19,477; net budget impact \$0)** – Recommended 20 hour position will assist in addressing a 27 percent increase in patients and allow other staff to focus on their primary duties.
- **1.0 FTE Integrated Health Certified Peer Specialist (total expense \$47,686; net budget impact \$0)** - County currently has this position in a part-time non-permanent capacity. Recommended to help address the opioid epidemic and assist with counseling inmates in Jail for substance abuse.



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- **Increase EMS Convalescent Scheduler from 29.5 hours (0.7375 FTE) per week to full-time (1.0 FTE) (\$22,857)** – Recommended to further improve how we handle convalescent calls and meet the Commissioners goal of “Continue to seek a solution for EMS shortage”.

Expenditures – Employee Pay

- Budget includes funding for tentative **1.5%** Cost of Living Adjustment (COLA), starting January 1, 2021.
 - Net budget impact of **\$225,000** next year.
 - I will make a recommendation to the Board in late 2020 as to whether economic conditions and revenue collections allow us to offer this or if we should postpone.
- Budget also includes **\$300,000 for 1/3 study**
 - Targeted at keeping in-demand positions at market rate so we do not continue serving as a training ground for surrounding counties.



Expenditures – Retirement Rate Increase

- The State LGERs board voted on January 31, 2019 to increase the percentage of an employee’s salary the County must contribute for retirement for the next several years. For next year:
 - General employees increased from 8.95% to 10.15%.
 - Sworn Law enforcement increased from 9.7% to 10.9%.
- Net budget impact is approximately **\$300,000**
- LGERs Board plans to continue significantly increasing rates over the coming years, reaching as high as 12.45% for general employees in FY 2022/23.



Expenditures – Health Insurance Increase

- Recommended budget includes a 10 percent (\$564,000) increase in employer health insurance rates charged to departments for active employees.
- Based on actual experience in current year.
 - Claims cost increase is between 10 – 15 percent.
- Medicare Supplemental Plan provided to eligible post-65 retirees saw a \$185,000 increase at its January 2020 renewal as well.
- \$100,000 in Health Insurance Fund Balance is budgeted to help cover some of the increased cost.



Expenditures – Significant Capital (General Fund)

- **IT Core Infrastructure Replacement (\$225,000)** – Recommended to be a continual set-aside each year to replace key components of the County’s network infrastructure (servers, switches, power backups, etc). For next year, this set aside will be used to replace network switches which currently serve as a bottleneck for our network speed.
- **Sediment Trap Backfill at the Firing Range (\$58,338)** –8 sediment traps were required during construction of the firing range that need to be backfilled per the Department of Environmental Quality (DEQ). The County has been backfilling one of these traps per year, and after next year there will be only 5 remaining for future years.
- **Body Camera Replacement and Associated Equipment (\$38,188)** – Next year will mark the third year of the purchase agreement with Axon for the Sheriff’s Office body cameras. Per the agreement, Axon replaces all body cameras and docks every 2.5 years to ensure proper functioning and that officers have up to date equipment.



Expenditures – Vehicles (General Fund)

- **2 EMS Ambulances (\$422,816)** – Replaces 2 high mileage ambulances (one new 4X4).
- **EMS Dodge Ram (\$32,932)** – Replaces EMS training officer vehicle due to age and high mileage.
- **7 Sheriff’s Office Vehicles (\$254,725)** – Replaces 6 front line patrol vehicles and 1 Detectives vehicle.
- **Building Inspections Ford F-150 (\$28,258)** – Replaces existing vehicle due to high mileage.
 - **Environmental Health Ford Fusion (\$20,680)** – Replaces existing 2001 model vehicle in poor condition.
- **Social Services 4 Vehicles (\$88,274 total cost, net County cost \$44,137)** – Replaces aging vehicles with an average mileage of 183,000.



Expenditures – Significant Capital (Other Funds)

- **Landfill Fund**

- **Mack Roll Off Truck (\$180,000)** – Replaces existing roll-off truck with 16,000 hours. This equipment has been subject to harsh conditions at the Landfill and has reached end of life.
- **Automatic Tarping Machine (\$69,637)** – Needed to cover trash daily at the Landfill per NC DEQ regulations. If the existing machine breaks down, several employees must work extra hours to cover the trash. This new machine will also be used while we have 2 active cells accepting trash.

- **Water and Sewer Funds**

- **Lift Station Generators (\$154,000, paid from Sewer Fund Balance)** – Recommended to complete replacing generators at the County’s lift stations to reduce the likelihood of overflow in the event of a widespread power outage.
- **Dodge Ram (\$28,385)** – This is recommended to replace a 2011 Ford F150 with a projected 203,000 miles by the end of the current fiscal year.



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Expenditures – Rockingham County Schools

- The Rockingham County Board of Education requested a 9.5 percent increase (**\$1,500,000**) in its current expense allocation and a 906 percent increase (**\$7,993,045**) in capital outlay funding.
- The Recommended Budget maintains the current year appropriation for Current Expense (**\$15,834,840**) and Capital Outlay (**\$882,525**).
- Schools are projected to have approximately **\$3.7 million** in Schools Capital Fund balance at the end of next year unless appropriated during the year for projects.



Expenditures – Rockingham Community College

- Rockingham Community College (RCC) requested a **9% increase** (\$193,947) in Current Expense and a **33% increase** (\$55,909) increase in Capital Outlay.
- The Recommended budget maintains Current Expense and Capital Outlay funding at the current year's appropriations (**\$2,164,473 and \$169,091 respectively**).
- The full **\$1.91 million** in $\frac{1}{4}$ cent sales tax revenue is transferred to the Community College as well.



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Conclusion

- Department heads and staff were very accommodating in meeting deadlines and sharing information, especially in light of the COVID-19 pandemic.
- We used all tools at our disposal to present a balanced budget that preserves funding for County services while recognizing potential economic realities.
- This budget will ensure that the County continues to provide citizens with quality essential programs and services.



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Next steps: Budget Worksession

May 26th – 8:00 am
Commissioners Room