



Fiscal Year 2019-2020 Budget Message

May 7, 2019

To the Iredell County Board of Commissioners and Citizens:

Each year in February the Board of Commissioners holds a Budget Planning Retreat where staff receive direction regarding priorities for the upcoming year. These priorities, along with the County’s adopted strategic plan and departmental goals, became the framework for what is recommended in the 2020 Fiscal Year Budget.

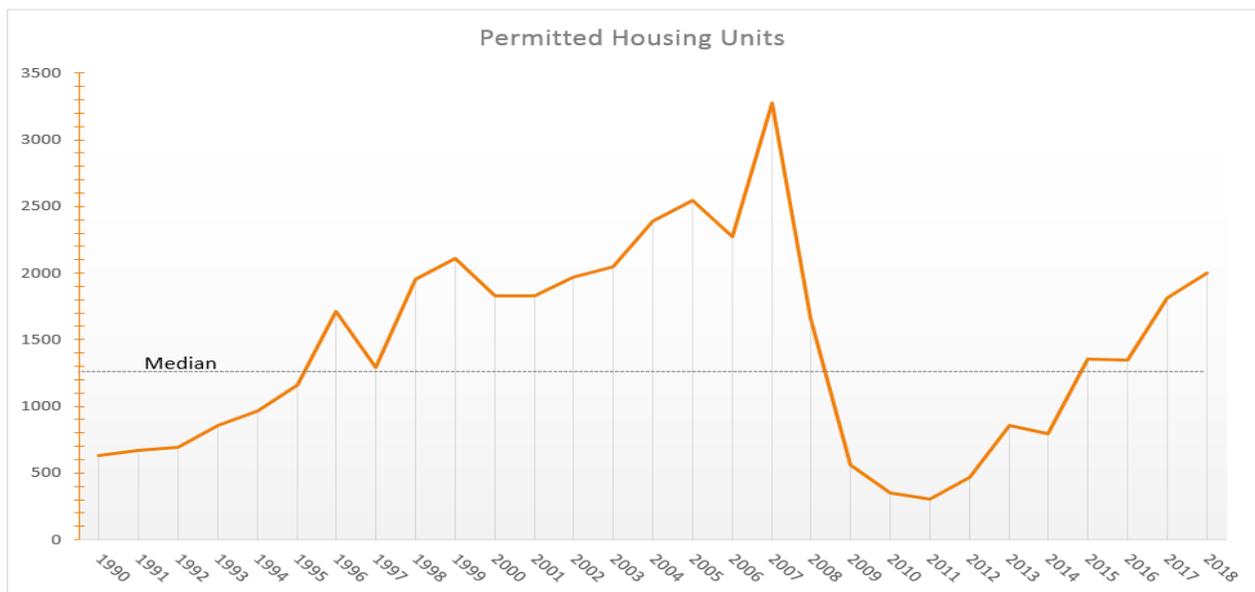
Economic Forecasting and Revenue Projections

The County’s budgeting process begins in late December, early January, and includes the analysis of several factors. In order to estimate anticipated revenues as accurately as possible for the next fiscal year we analyze building trends, population growth, State and Federal policy decisions, unemployment rates and personal income, just to name a few.

New construction starts are a key indicator to a growing economic future and show builder confidence in the market. Permitted housing units are continuing to trend up as indicated in

Figure 1.

Figure 1



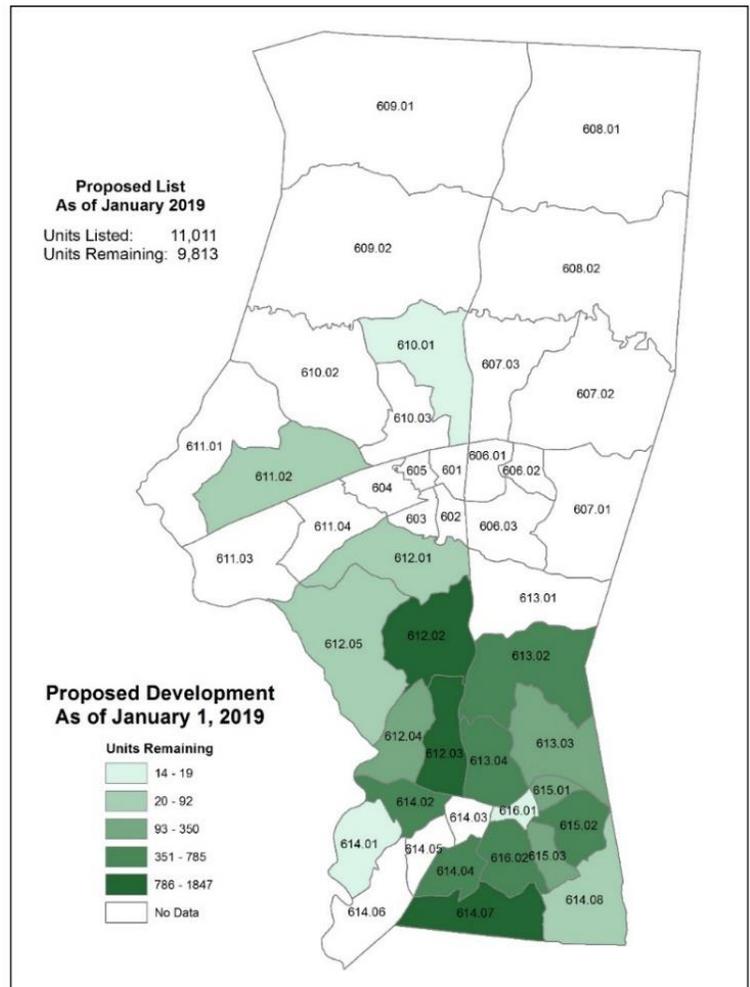
Most of that growth is seen in the southern portion of the county but is beginning to move north as indicated in Figure 2.

Figure 2

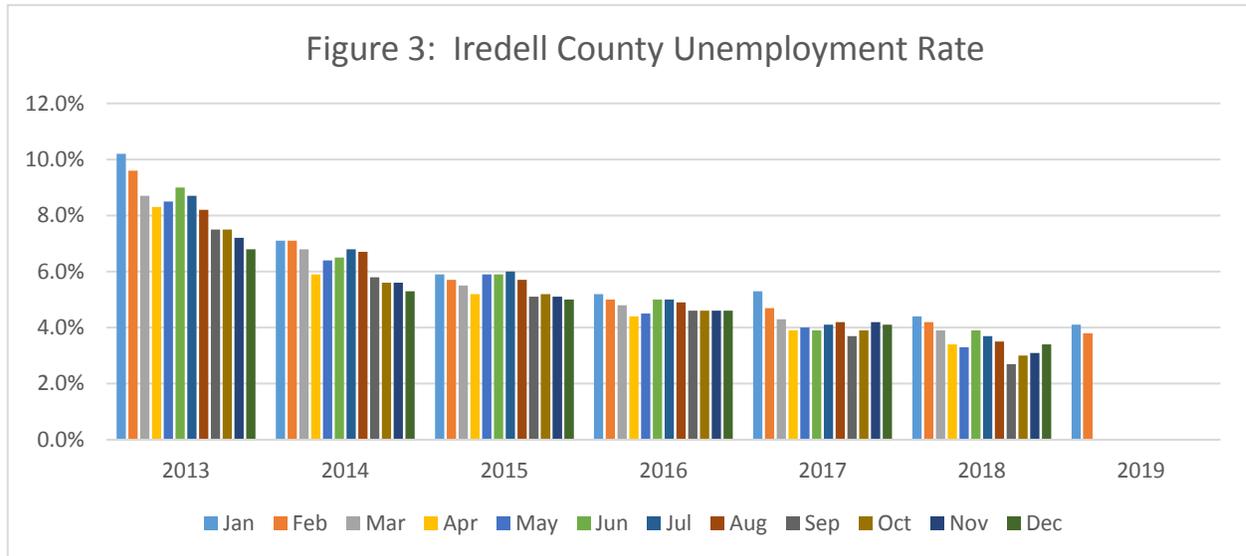
Iredell County continues to grow at a relatively high rate. According to the US Census Bureau, Iredell County had an 11.9% increase in population between 2010-2018 making it the 14th fastest growing county in North Carolina, exceeding the State's growth rate of 8.9% during the same time frame.

State projections for 2019 show Iredell County with an estimated population of 182,424 and by 2022 we are projected to reach 191,709 residents. This indicates a 5.09% increase in population over this next four year budget cycle. Our current 2018 estimated population of 178,435 makes us the 15th largest county in the State. More importantly, out of all 100 counties in the State of North Carolina, there are only 14 that have a lower 2018-2019 tax rate.

A low tax rate is a double edge sword in many respects. It assists in business recruitment/retention and is appealing to new residents but limits the County's ability to offer the same level of services as other similar size counties. It is a delicate balance of adequate service delivery and fiscal conservancy. One key way to sustain a lower tax rate is through strong, conservative fiscal management and diversification of our tax base through economic development. We continue to work hard in supporting our existing business and industry by fostering retention and expansion as well as encouraging new business and industry recruitment. With the partnership of our newly consolidated Economic Development Corporation, we strive to foster an environment that creates a premier community to live, work and raise a family. In order to prove successful, we must remain focused on ensuring our commercial and industrial growth compliments our community and offers a competitive wage to our residents.



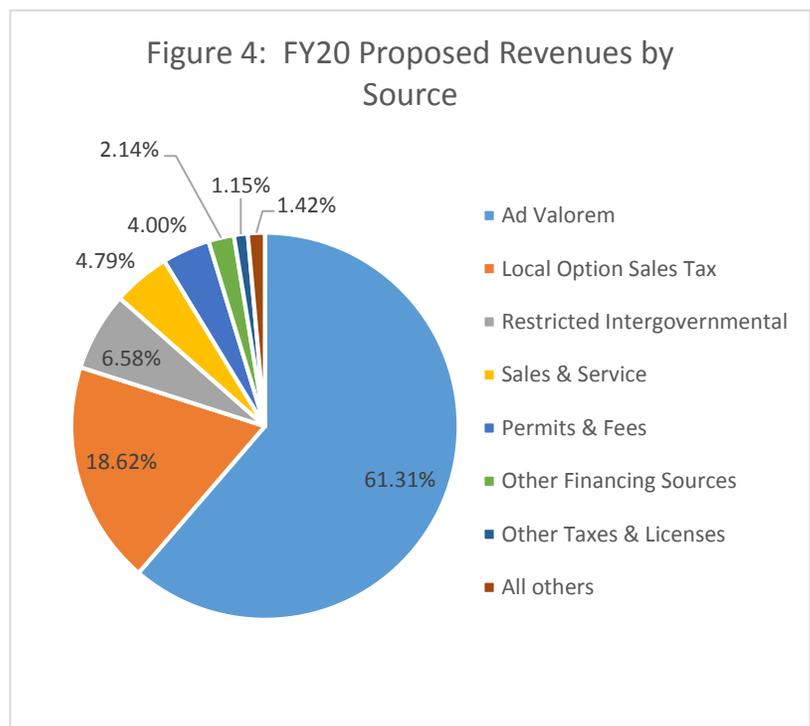
Our unemployment rate has continued to decrease since 2013 and was 3.8% as of February 2019 (Figure 3), which is below the State and equal to the National level. This is a leading indicator that our economy is strong and stable and lends great confidence in our anticipated revenue projections.



Iredell County performs a countywide reappraisal every four years, which is reflected in this 2019-2020 Fiscal Year Budget. The purpose of the countywide reappraisal is to equalize the tax burden among property owners and among all classes of property. The periodic reappraisal of real property equalizes the tax burden by ensuring all real property is assessed at the current, fair market value.

The two largest sources of the County’s revenue comes from ad valorem tax at 61.31% and local option sales tax at 18.62% as depicted in Figure 4.

Taking all of these factors into consideration, ad valorem tax revenues are expected to increase 8.46% as a result of the reappraisal, which equates to \$10,336,046, and 2.35% attributed to new growth. This provides an overall increase in ad valorem revenue of 10.81%. Taking into consideration the ebbs and flows of all additional revenue sources, the 2020 Fiscal Year Budget Recommendation is predicated on an overall growth of 8.55%.

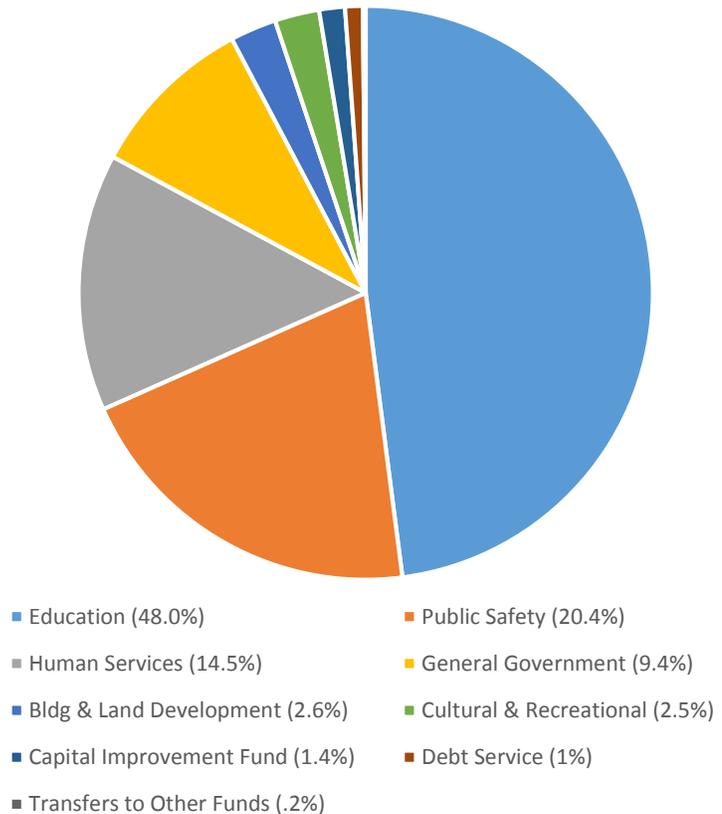


Expenditures

We made every effort to satisfy the priorities of the Board of Commissioners while working within the confines of our available revenues. To this point, there are over \$8 million in recommended cuts made from the original requests received. The majority of the requests are needs but must be prioritized, delayed and in some cases eliminated due to limits in revenues.

Figure 5 shows the breakdown of expenditures by category. These percentages are very similar to years past, with the top three areas being in education (48.0%), public safety (20.4%) and human services (14.5%).

Figure 5: Fiscal Year 2020 General Fund Proposed Expenditures



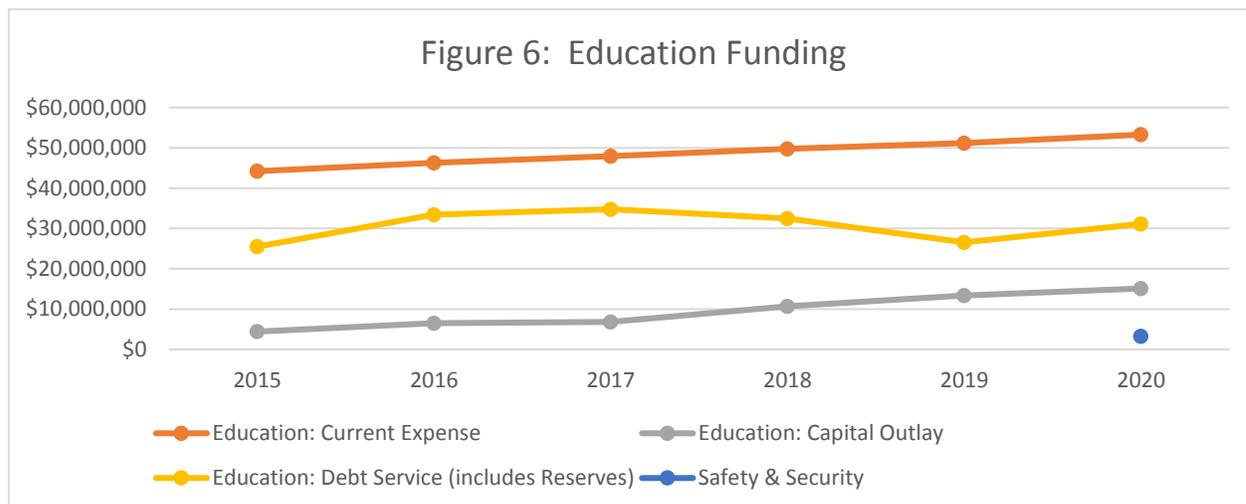
Education

Funding for the three education systems comprises 48.0% of the proposed General Fund Budget, with an increase of 11.57% over FY19. In FY20, there is a total increase to public education of \$11,073,483 (figure 6). This will increase the per pupil amount to \$1,675, up from \$1,625 in FY19, and will be uniform between Iredell-Statesville Schools (I-SS) and Mooresville Graded School District (MGSD).

I-SS will see an increase of 3.95%, or \$1,466,750, in current expense and 12.24%, or \$1,256,294, in capital outlay. Based on our funding formula, debt service will increase 21.45%.

MGSD will see an increase of 4.65%, or \$494,150, in current expense and an increase of 29.91%, or \$608,169 in capital outlay. Debt service will reduce by 3.54%.

Mitchell Community College (MCC) will receive 4.11%, or \$142,133, more in current expense in the upcoming year, while capital outlay will decrease by 13.84%, or \$152,585. Debt service will increase by 113.50%.



This year we created a new Public Safety Budget to address School Safety and Security needs. It is difficult to adequately address all the public safety needs without a new revenue source. In an effort to whittle away some of the more pressing public safety needs, we have allocated a portion of the ad valorem increase from reappraisal coupled with a portion of the ad valorem funds allocated towards school capital to create this budget in the amount of \$3.3 million. This budget will begin to fund public safety related needs such as school resource officers, door locks, camera systems that will link to our law enforcement responders, communications equipment to ensure seamless and uninterrupted connections between those individuals on site and those responding, etc. This will be a multiyear effort to slowly and systematically implement priority based resources to ensure the safety of our children.

Public Safety

The construction of the Jail addition will be complete in late August 2019. Even though the project exceeded the scheduled completion date due to weather and other unforeseen delays, we anticipate still completing the project on budget. The Board’s decision to create the Jail Operations Fund has helped offset the increased operational funds and needs for this facility. The remaining balance in that fund is used in this budget as we move forward with our first full year of operation. With the jail coming on line, the purpose and intent of that fund has been satisfied.

Citizen safety remains foremost on our minds and for this reason, the 2020 Fiscal Year Budget includes an additional 12 new public safety positions. Eleven of these positions are in the Sheriff’s Office ranging from Road Deputies to School Resource Officers while the remaining position is a Veterinary Technician Position in Animal Services. I have encouraged our departments to explore grant opportunities and partnerships with other agencies when possible to ensure we are being good stewards of the taxpayers’ dollars and providing premier services as efficiently as possible.

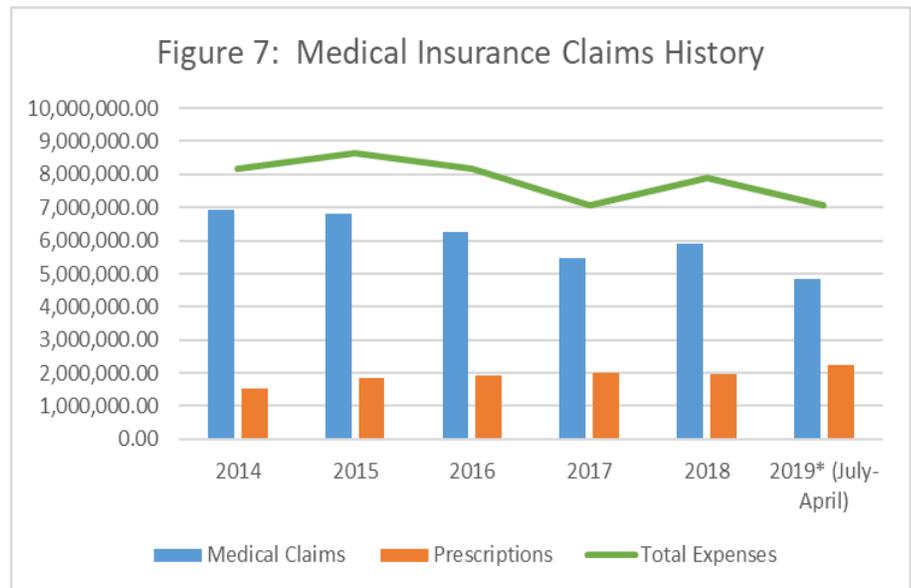
Human Services

It is anticipated that the Social Services renovation at Government Center South will be complete in late 2019 and will allow us to expand our services to the Mooresville area. With this in mind, I am recommending seven new mid-year positions in the human services area in our Department of Social Services. It is important to note that these positions are 40% funded through the State and will assist us in providing vital services to our citizens.

General Governmental

As a service organization our greatest asset is our employees. The Board has taken great strides over the past several years to ensure that Iredell County is an employer of choice. We have and will continue to focus on turnover reduction, which is currently trending at 5.17% from January-March, 2019. This is a key factor in any successful and thriving organization because employee retention is more efficient than employee replacement. Staff retention is achieved through creating positive and safe work environments, engaging your staff and letting them know their voice is heard, showing appreciation and support, encouraging positive morale and rewarding exemplary service. For these reasons I am recommending a performance-based merit increase up to 3% this year. I am also recommending a pay scale adjustment of 3% due to the fact our pay ranges are lower than our competitors and in order to hire and retain good employees we must be competitive in the market relative to pay.

One of our most successful ventures regarding employee benefits is the Employee Health Clinic. We are seeing a steady reduction in our health insurance claims and this is the third year in a row we are not experiencing a health insurance premium increase (figure 7). We have exceeded our capacity at the clinic's current location. I am recommending to relocate the clinic to available space, previously leased to Partner's Behavioral Health, at the Health Department to be renovated allowing for better flow of patients and room to expand. All of those funds will be paid from the Employee Healthcare Benefits Fund and are made possible through savings realized over previous years due to lower health insurance claims.



Over the past few years our focus was more on external service delivery departments, which was necessary in order to keep up with the growth of our County. As a result, we have increased the

pressure on our internal service departments without additional assistance. We have added facilities and acreage that must be maintained, which is requiring us to add staffing to maintain those properties. I am recommending three new positions in the General Governmental Departments. All of those positions are in the Facility Services Department and include transitioning a part-time carpenter position to full time and the addition of a grounds technician. I will continue to challenge our departments to explore cost savings that can be realized by bringing contracted services in house, where practical, and consolidate efforts. Facilities Services has done exactly that and I am recommending one Day Porter to be housed at the Public Safety Complex.

Solid Waste has one additional position that is funded through the Enterprise Fund as opposed to the General Fund tax dollars.

Development Services

In the building and land development area we will continue to see growth. Over the past few years we have made great effort to accommodate the growth with additional staffing and streamlined solutions where possible. This year I am recommending one new Building Inspector in an effort to keep up with the magnitude of growth and maintain our desired goal of next business day inspections. The new permitting and inspections software will go live in August 2019 and this should further automate the permitting and inspections process while improving our communication and online services to our development community.

Capital Projects

As the County grows and the demand for services shift, we must ensure we are maintaining our facilities and expanding where necessary. Within this budget, there is \$130,000 proposed in facility improvements and \$3,225,772 to fund the Capital Improvement Plan (CIP).

We have included funds for various existing facility renovations and repairs, which includes an additional phase of necessary repairs to waterproof the basement of the Government Center before we move forward with completion of the remainder of the exterior repairs to restore the historical character of the building. We are also including funds to upgrade the obsolete technology in the Commissioner's Meeting Room to allow us the continued ability to televise and record the public meetings held in that room.

This budget includes funds to replace our Vehicle Services Building through relocation to a site that has adequate space to properly maintain County vehicles. We have budgeted two ambulance replacements as well as renovation of the soon to be vacated ECOM facility to house the Sheriff's Office Special Victims Unit that is currently housed in mobile units.

Economic Development

I am proposing to continue the use of some economic development funds to maintain a part-time liaison position in the Economic Development Corporation to assist existing businesses as well as smaller commercial entities navigate the development process to ensure we are creating a positive environment that encourages development and entrepreneurship. We are also setting aside funds

to continue the second year of a new workforce development tool to be utilized by the business community and school systems called the Edge Factor. This is a unique tool to assist in bridging the gap between the student, educational entity and work force through creative and relevant videos and stories.

Fire Funding

A vital service Iredell County provides to the citizens, through the assistance of the volunteer fire departments, is fire protection. Iredell County contracts with 19 different fire departments to provide fire protection throughout the County. With diminishing volunteerism throughout, not just Iredell County but the entire Country, we must get creative in ensuring that help arrives in that time of need. Regulations continue to grow, the cost of equipment and training continues to increase yet the funding stream has not. In an effort to achieve a sustainable funding plan moving forward and to begin addressing personnel, apparatus and equipment needs, I am recommending a new fire funding plan. The proposal is multifaceted and provides for basic operations, staffing, apparatus replacement, insurance, hydrants, radio replacements and debt service. It creates a new All-County Fire Service District to include the former service tax district and the four voted in tax districts. This new All-County Fire Service District will be taxed at eight (8) cents as opposed to the former seven (7) cents and will set the voted in tax district rates to zero. This will apply to all the fire departments with the exception of the two municipal departments of Statesville and Mooresville. This new funding proposal would require an additional penny on the fire tax rate to implement but will move the fire service toward a more sustainable funding plan.

Recommendation

This message fulfills my obligation under North Carolina General Statute 159-11 to present the recommended Fiscal Year 2020 budget of \$222,655,992. This will maintain the tax rate at 52.75 cents per \$100 valuation with a revenue neutral rate of 48.72 cent per \$100 valuation as a result of reappraisal. This budget is based on a tax base of \$25,678,684,000 with a collection rate of 98.91%. The fund balance on June 30, 2019 is estimated to be \$43,094,301, which is 19.35% of the recommended budget.

Respectfully Submitted,



Beth M. Jones
Iredell County Manager