



# Fiscal Year 2021-2022 Budget Message

May 4, 2021

## To the Iredell County Board of Commissioners and Citizens:

On February 12<sup>th</sup> and 13<sup>th</sup>, 2021 the Board of Commissioners held the Fall/Winter Retreat where staff received direction regarding priorities for the upcoming year. Those priorities, along with the County's adopted strategic plan and departmental goals, became the framework for what is recommended in the 2022 Fiscal Year Budget.

While Iredell County and the State of North Carolina are still under a year-long State of Emergency Declaration as a result of COVID-19, we continue to experience incremental relaxation of State and Federal restrictions as we know more about COVID-19 and the vaccination process continues. We were fortunate that the sharp economic decline projected for fiscal year 2021 was not as drastic as initially anticipated. We also received CARES Act funds and other grant dollars that aided in our fight against COVID-19. While we still operate with some limitations and restrictions, our financial condition is sound and we are well prepared for the upcoming fiscal year.

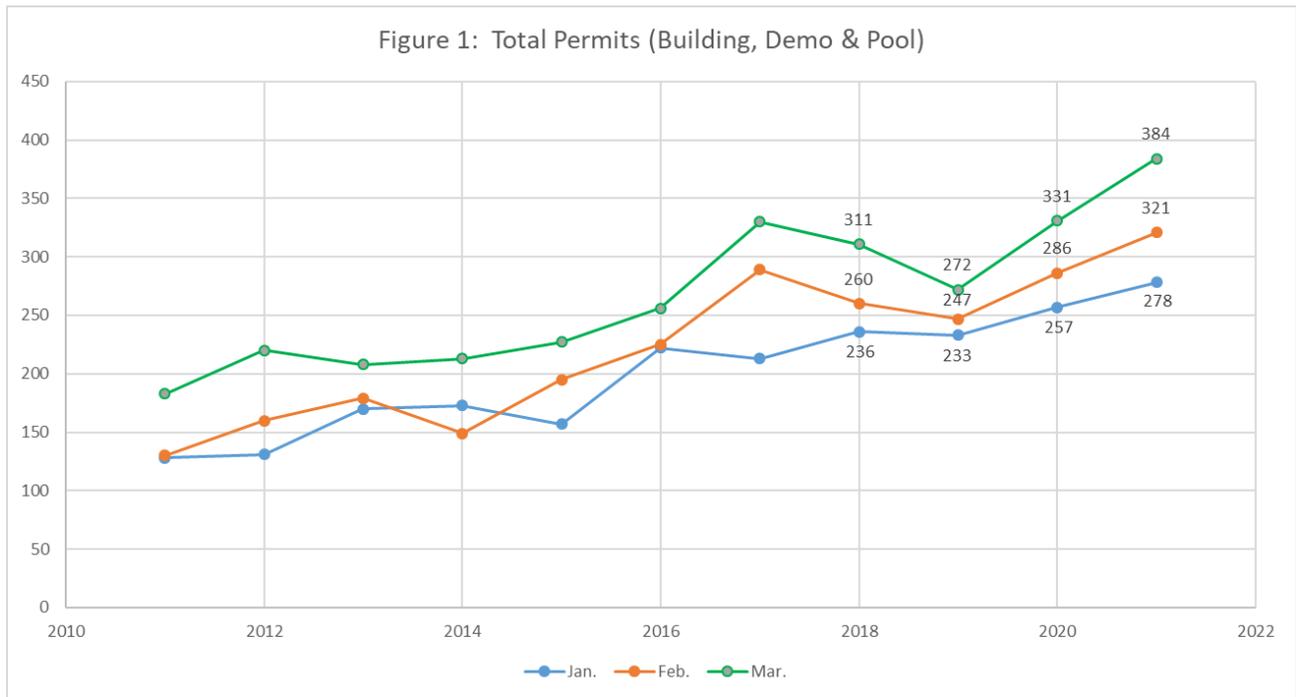
## Economic Forecasting and Revenue Projections

The County's budgeting process began in late December, early January, and included the analysis of several factors including departmental needs, economic trends, and anticipated growth. Departmental budget requests were received in late February and revenue projections were conservative but promising with a projected increase of 1% in ad valorem revenue and 2% in sales tax revenue. Fortunately, the sharp decline in sales tax anticipated as a result of the COVID-19 pandemic was not experienced due to the continued stimulus and unemployment funds. In fact, we reached an unprecedented high for the month of December. With sales tax being our second largest revenue source, we will continue to closely track the trend but we are optimistic we will achieve our projected 2% increase in sales tax revenues over the previous fiscal year.

Ad valorem tax revenues have also been adjusted upward to indicate a 3.89% increase. We have increased our projected collection rate to 99.08% due to the successful collections in fiscal year 2021 even amid the COVID-19 pandemic.

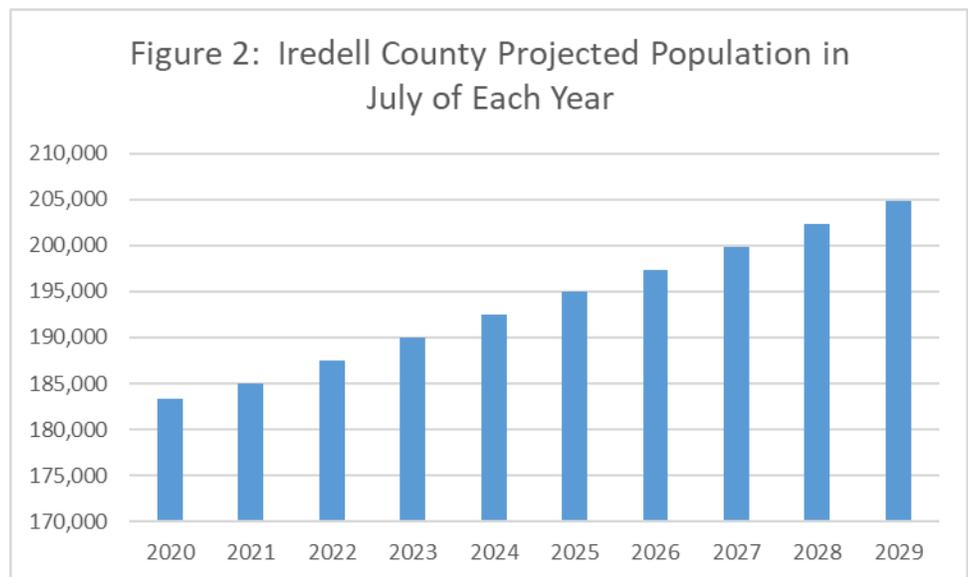
In order to estimate anticipated revenues as accurately as possible for the next fiscal year, we analyze building trends, population growth, State and Federal policy decisions, unemployment rates and personal income, just to name a few.

New construction starts are a key indicator to an economic future and show builder confidence in the market. When tracking our building permit activity for the first three months of the year, we continue to see an increase as exhibited in Figure 1.



Permitted housing units are continuing to trend up and the real estate market continues to boom. This is a promising pattern and indicates our local economy is still strong and there is confidence in the market, in spite of the COVID-19 Pandemic.

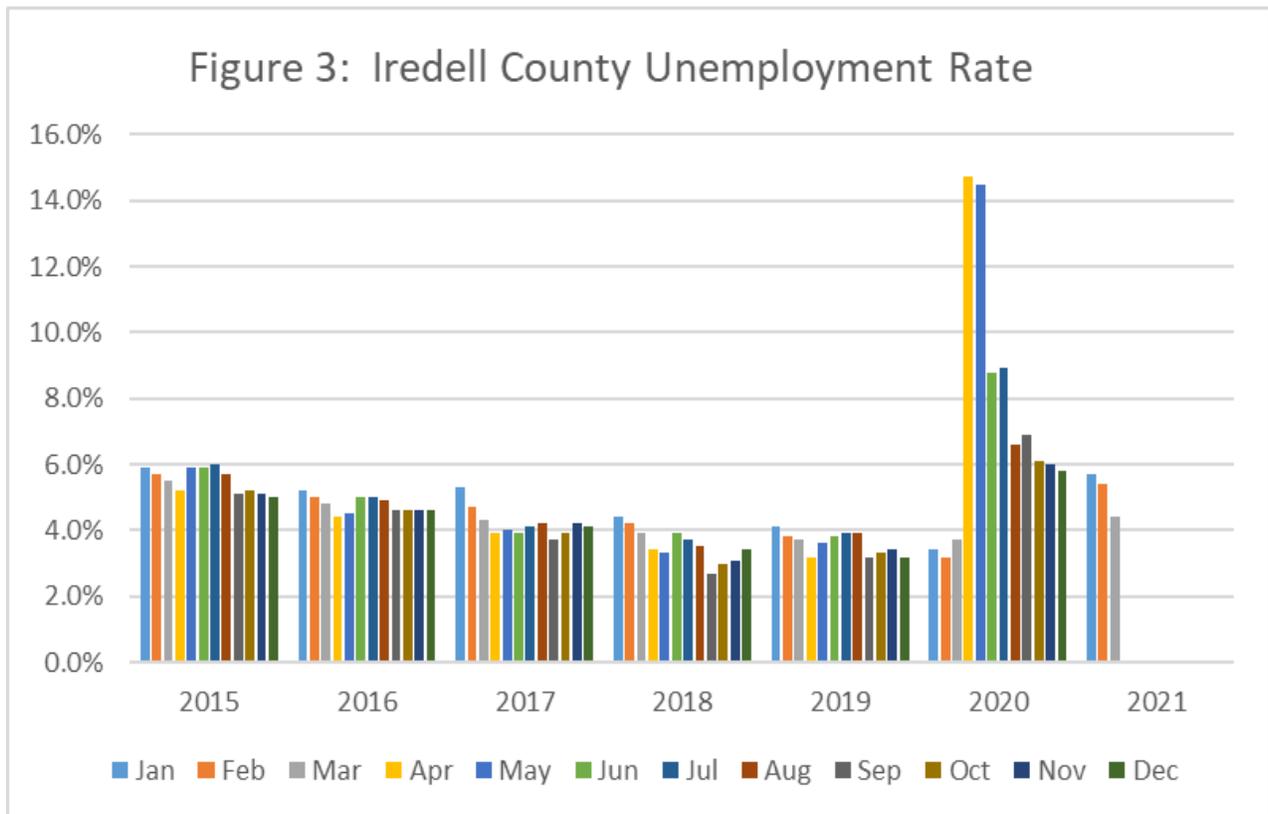
According to the North Carolina Office of State Budget and Management, Iredell County continues to grow at a relatively high rate as exhibited in Figure 2. State projections for Iredell County's 2021 population indicate 185,011 residents and we are projected to reach 194,916 residents by 2025. This indicates a



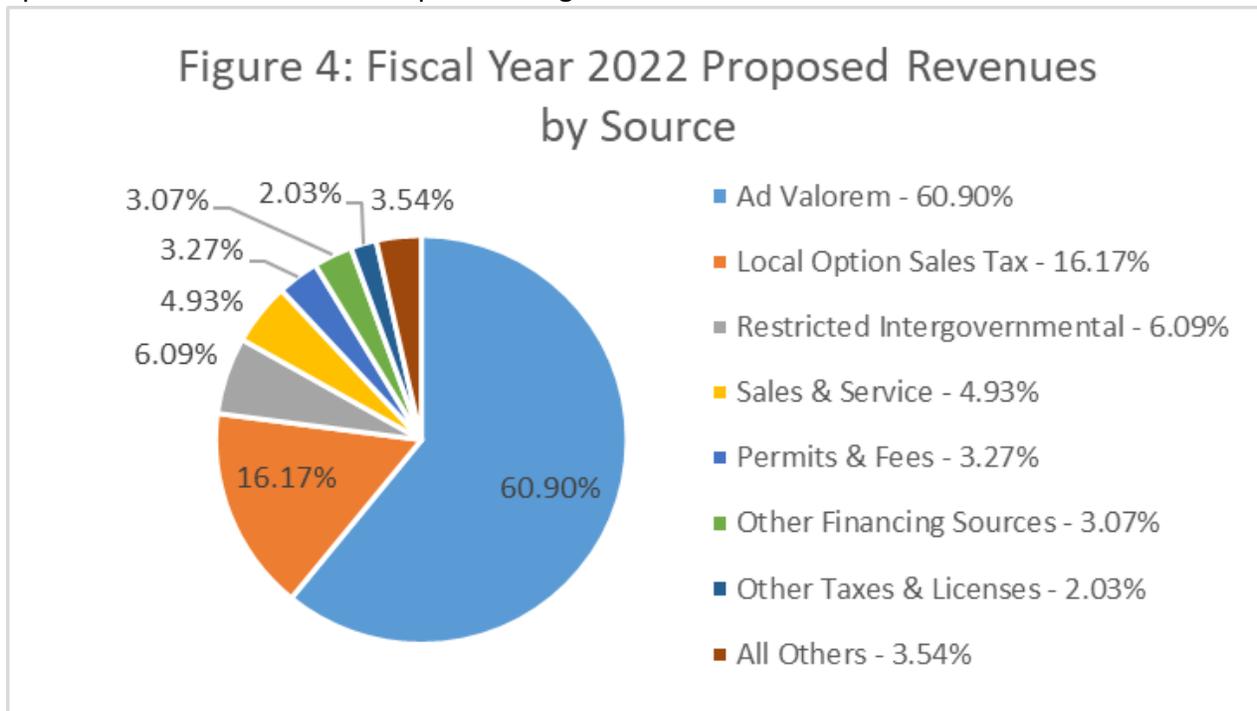
5.35% increase in population over this next four year budget cycle. Our current 2021 estimated population of 185,011 makes us the 14<sup>th</sup> largest county in the State. More importantly, out of all 100 counties in the State of North Carolina, there are only 14 that have a lower 2020-2021 tax rate.

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 the Iredell County Economic Development Corporation, we strive to foster an environment that creates a premier community to live, work and raise a family.

Our unemployment rate began to tick upwards in March 2020 with a peak in April 2020 of 14.7%, which is higher than the 33-year peak in February of 2010 when it was 14.6% during the slow recovery from the Great Recession. Immediately following that spike, it began to slowly taper off, as exhibited in Figure 3, and as of March 2021 it is at 4.4%, which is below both the State (5.2%) and National Level (6%). This indicates that Iredell County is fairing slightly better than our State and Nation as we slowly emerge from this global pandemic.



The two largest sources of the County’s revenue comes from ad valorem tax at 60.90% and local option sales tax at 16.17% as depicted in Figure 4.



When looking at all of the economic indicators, ad valorem tax revenues are expected to increase 3.89%. Taking into consideration the ebbs and flows of all additional revenue sources, the 2022 Fiscal Year Budget Recommendation is expected to have an overall growth of 2.52% or \$5,798,120 of which 9.2% of that growth is in grants and restricted revenue.

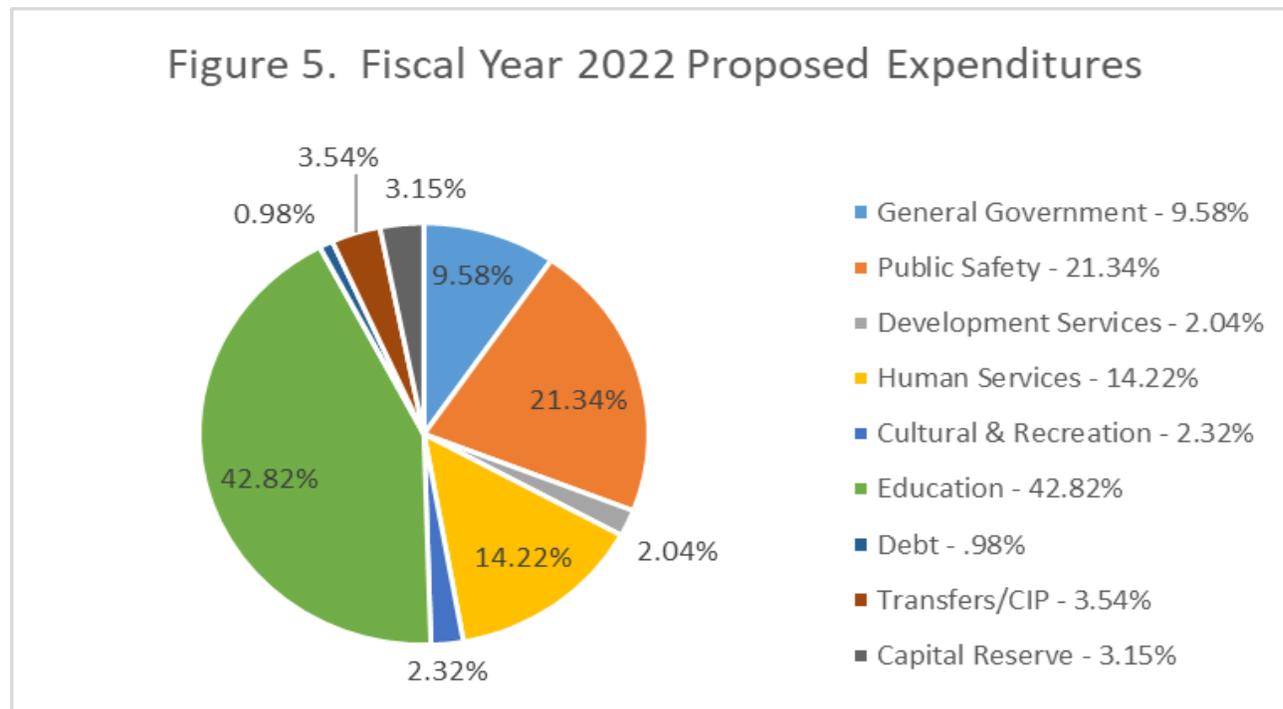
## Fund Balance

Our fund balance has fluctuated over the past several years as we have saved up funds to pay for large capital projects. One of the largest projects funded out of fund balance was the new Iredell County Detention Center. The Board established a minimum threshold of 18% of operating expenses and we have worked tirelessly to not only maintain that threshold, but slowly build back our fund balance through the diligent savings of our departments and fiscally conservative policies established by the Board of Commissioners. Our fund balance is estimated to be at 23.62% of the recommended budget and we have maintained our commitment to live within our means and prepare for financial uncertainty. This recommended budget does not anticipate the use of fund balance for normal operational funding. The County’s Fund Balance Policy and healthy debt profile has served us well through uncertain financial times.

## Expenditures

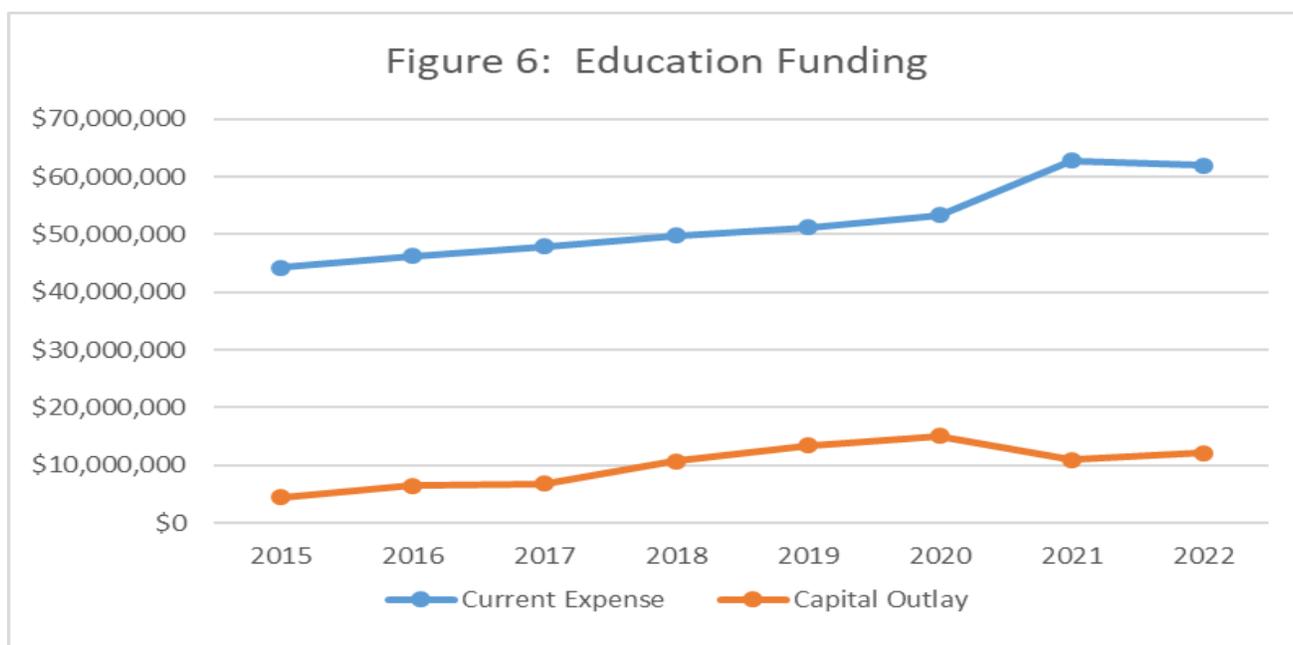
We made every effort to satisfy the priorities of the Board of Commissioners while working within the confines of our available revenues. The majority of the requests are needs that must be prioritized, delayed, or in some cases eliminated due to limits in revenues. We continued our practice of modification of each department’s line item requests to reflect actual spending over a four year historical perspective. We also rolled forward unspent funds in the FY21 budget to help cover some

FY22 expenses. This was made possible through the travel limitations enacted last year and the shift of service delivery due to State Executive Orders. 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 (42.82%), public safety (21.34%) and human services (14.22%).



## Education

Last year we reworked our educational funding formula, primarily in response to the request of the schools, to shift additional funds previously allocated towards capital needs to current expense as exhibited in Figure 6.



This shift provided the schools flexibility that was not previously available to allocate those funds for the highest and most emergent need between current expense and capital.

Current Expense is calculated on a per pupil basis. The initial amount is derived every four years in a reappraisal year by obtaining an average of the counties in NC with average daily membership (ADM) that falls within twenty percent, above and below, Iredell County. Each year thereafter, the per pupil allocation will increase by the December US Department of Labor Un-Adjusted Total Consumer Price Index (CPI), excluding any one-time adjustments from the prior year and not to exceed the estimated property tax revenue growth for the upcoming fiscal year. It’s important to note, this funding formula calls for the amount the County contributes per pupil to not decrease. According to this funding formula, the County will fund the schools \$1,967 per student, which is up 1.4% (CPI) from the \$1,940 per student funding from last fiscal year. As a result of COVID-19 and the schools being forced to deliver virtual instruction for most of the school year, the number of students that will return to in-person instruction next fiscal year is uncertain. As in years past, the County has budgeted based on the NC Department of Public Instruction’s (DPI) ADM projections. For the next fiscal year both Iredell-Statesville Schools (ISS) and Mooresville Graded School District (MGSD) are estimated to see a reduction in the number of students. It is my recommendation, due to the vast uncertainty of next year’s enrollment numbers, that we revisit the current expense funding in September once both systems receive their 10-day ADM numbers. If actual ADM is more than DPI’s estimates, the County will adjust this amount to accurately fund based on the actual ADM numbers. Based on DPI’s projected enrollment, ISS will see a decrease of 655 students. Per pupil funding increased to \$1,967 but with a decrease of 655 students this resulted in a current expense funding of \$44,737,448, which is a 1% total decrease from prior year. MGSD is projected to see a decrease of 140 students that results in current expense funding of \$13,001,870, which is a 1% decrease from prior year. Based on the funding formula, MCC will receive \$4,194,414 in current expense funding, which is a 1% decrease as well.

<b>Current Expense</b>				
	<b>FY21</b>	<b>FY22</b>	<b>Inc (Dec) from adopted FY21</b>	<b>%</b>
ISS	\$45,394,060	\$44,737,448	(\$656,612)	-1%
MGSD	\$13,095,000	\$13,001,870	(\$93,130)	-1%
MCC	\$4,240,158	\$4,194,414	(\$45,744)	-1%

Capital Funding is equal to Chapter 105 of the NC General Statutes, Article 40 and 42 Local Governmental Sales and Use Taxes, distributed based on the average daily membership between the Iredell-Statesville and Mooresville Graded school systems. Capital funding is recommended to increase to \$7,966,441 (11% increase) for ISS, \$2,317,349 (12% increase) for MGSD and \$1,804,170 (6% increase) for MCC.

<b>Capital</b>				
	<b>FY 21</b>	<b>FY22</b>	<b>Inc (Dec) from adopted FY 21</b>	<b>%</b>
ISS	\$7,158,638	\$7,966,441	\$807,803	11%
MGSD	\$2,067,195	\$2,317,349	\$250,154	12%
MCC	\$1,709,120	\$1,804,170	\$95,050	6%

Debt Service is now covered by the County’s ad valorem tax collections to cover principal and interest amounts equal to the County’s borrowings for the educational facilities. This amount is adjusted annually in accordance with the retirement of principal and interest related to the debt service of capital projects and is recommended to be \$26,040,704 for the 2022 fiscal year.

Fiscal Year 2022 will be the final year of the School Safety & Security funding, for which a new budget was created in fiscal year 2020 in the hopes of a successful referendum to pass the quarter cent sales tax. The County continued to allocate a ½ cent of Ad Valorem taxes to complete the remaining capital needs for school safety and security identified for ISS, MGSD & MCC, which will end in the 2022 fiscal year budget with a final appropriation of \$1,068,760.

Total financial allocations towards education in the three education systems comprises 42.82% of the total proposed General Fund Budget and more specifically 47.86% of the general fund unrestricted revenue.

## **Personnel**

As a service organization our greatest strength is our employees. It is only through them that we are successful and can serve the citizens of Iredell County. The Board recognizes this and has taken proactive steps 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 5.60% from January-March, 2021. 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.

During a global pandemic it has been a difficult task to keep morale high, but we are fortunate to have dedicated and loyal staff that have a true servant’s heart. Our staff are called on now more than ever as a result of COVID-19 and the vast majority have answered the call unselfishly. Throughout the entire COVID-19 pandemic, Iredell County Employees continued to serve the citizens of Iredell County. They came to work each day and answered the call to serve those in need. In a time when most governmental agencies shut their doors, we took proactive steps to protect our employees and citizens and remained open to serve the public.

Each and every one of our departments answered the call to serve from the Health Department conducting COVID testing and vaccinations to our Library and Parks & Recreation Departments holding Kidz Camp, they each responded in a time of need.

The calls for help continued, even in the midst of a global pandemic, and County employees answered without fail day and night. They did this with no expectation of hazard pay or bonuses, they did this when most others were working from home, and they did this out of duty and obligation to the public they serve. Fred Rogers once said “When I was a boy and I would see scary things in the news, my mother would say to me, ‘Look for the helpers. You will always find people who are helping.’” Our employees are the helpers, even in a time when very few would step up they were here each and every day helping the citizens of Iredell County. It is for this reason they should be recognized for this commitment to our County and community, and I am recommending a performance-based merit increase up to 5% this fiscal year. In addition, according to our pay and classification review schedule, in the fall of fiscal year 2022 we will conduct our market study to ensure our salaries are competitive with our competition. The results of this market study will be implemented in fiscal year 2023.

We received 29 full time and three part time new position requests this year of which I am recommending 27 full time and two part time. The detail of the recommended positions is as follows:

- One Equipment Services Mechanic in our Vehicle Services Department.
- Nine positions in the Sheriff’s Office that includes seven SRO’s, with the first year funded through a grant obtained through Iredell-Statesville Schools and an agreement to work on a 50/50 funding plan with ISS for years 2-4. Also included is one IT position and one Detective position.
- Two positions in the Jail with one Bailiff for the courts and one Detention Captain.
- One Animal Control Officer.
- One Quality Assurance Compliance Officer in our Emergency Communications Center.
- Two Paramedics and one Business Officer position in EMS.
- One Erosion Control Inspector in the Planning Department.
- One Environmental Health Specialist in Food and Lodging.
- Five Quality Assurance Specialists in the Social Services Department.
- One Local History Specialist in the Library.
- One Parks and Recreation Grounds Manager.
- One part time Carpenter in our Facility Services Department.
- One full time and one part time Day Porter in the Facility Services Department. This is converting previously contracted janitorial services into one full time and one part time day porter stationed at the Department of Social Services. Due to the amount of traffic this department receives and the frequency of cleaning required, we can transition this service in house cleaning for virtually the same amount of money. This is a strategy we have implemented in our more challenging and higher utilization departments with great success.

## 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 \$170,000 proposed in facility improvements and \$4,871,000 to fund identified projects in the Capital Improvement Plan (CIP).

Last fiscal year, we took a hard look at capital projects and trimmed them back substantially as a result of the anticipated economic downturn. Our focus was on necessary projects resulting in the delay of several less critical projects. Included in this budget are funds to continue the necessary historical restoration of the Government Center along with a new entryway and a continuation of incremental funding for ADA accessibility improvements at several county facilities and grounds. We also have included an upgrade to the SAN (Storage Area Network) in our Information Technology Department. For Public Safety, we are budgeting to set aside funds for new radios in EMS, as the current radios become obsolete; a justice quadrant master plan study, now that the new detention center is complete and we are able to reassess that area for parking and space constraints; and funding to complete paving of two parking lots to finalize the detention center project. Our Department of Social Services is in need of renovated space for their call center and lab stations and we are initiating a set aside of incremental funding for the second phase of the expansion at the Government Center South Facility in Mooresville, which was a project that was decreased by half due to budget constraints and construction bids coming in higher than anticipated. In our cultural and recreational category, we will satisfy the final year of the Future Park Fund pay back and begin setting aside funds for the Jennings Park Construction Project. Finally, we have budgeted the second year of set-aside funds for the ICATS matching funds facility grant.

## **Fire & Rescue Funding**

This recommended budget also continues the 9 cent All-County Fire Tax, which has served as a sustainable funding mechanism for the 19 contracted volunteer fire departments. Fire protection is a vital service Iredell County provides to the citizens, through the assistance of the volunteer fire departments. We have also budgeted the continuation of the previously modified rescue funding, which is funded from the general fund. The base funding formula is calculated on square miles and population in the various rescue districts with additional funding set aside for apparatus and equipment replacement, similar to the practice with the fire departments.

## **Recommendation**

This message fulfills my obligation under North Carolina General Statute 159-11 to present the recommended Fiscal Year 2021-2022 budget of \$236,155,420. This will set the county tax rate at 53.75 cents per \$100 valuation based on a tax base of \$27,665,174,000 with a collection rate of 99.08%. The fund balance on June 30, 2021 is estimated to be \$55,772,640, which is 23.62% of the recommended budget.

Respectfully Submitted,

A handwritten signature in blue ink that reads "Beth M. Mull".

Beth M. Mull  
Iredell County Manager