



Fiscal Year 2018-2019 Budget Message

May 1, 2018

To the Iredell County Board of Commissioners and Citizens:

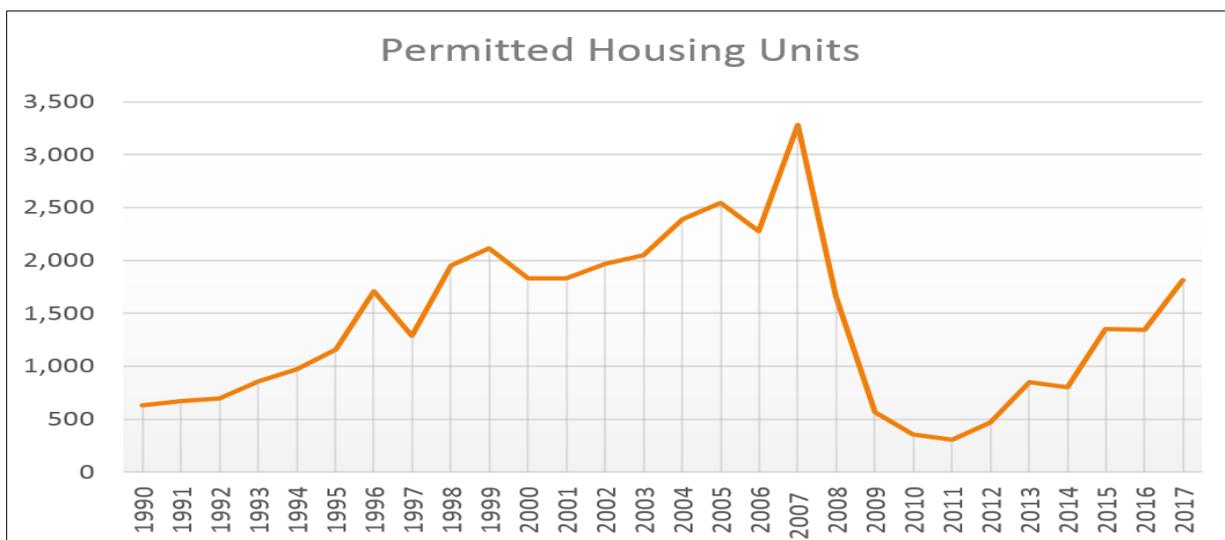
Each year in February the Board of Commissioners hold a Budget Planning Retreat where staff receives direction regarding priorities for the upcoming year. These priorities, along with the County's adopted strategic plan and departmental goals, became the framework for what is recommended in the 2019 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.

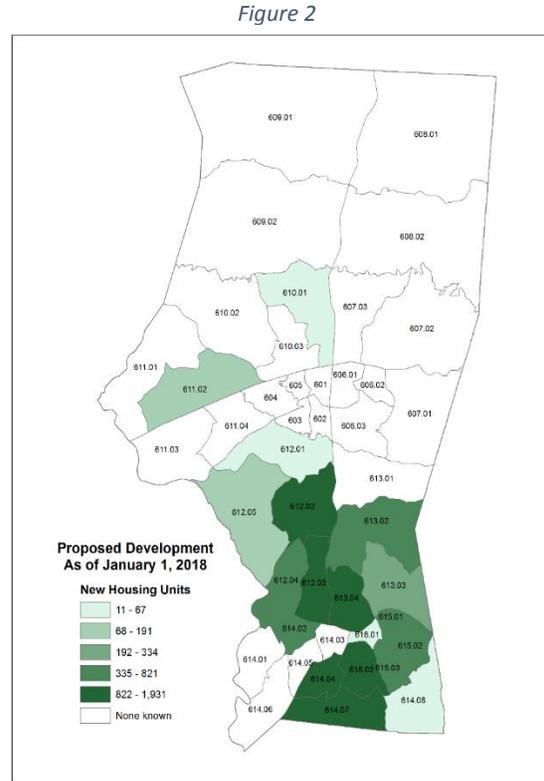
New construction starts are a key indicator to a growing economic future and show builder confidence in the market. Permitted housing units are continuing to trend up as indicated in Figure 1.

Figure 1

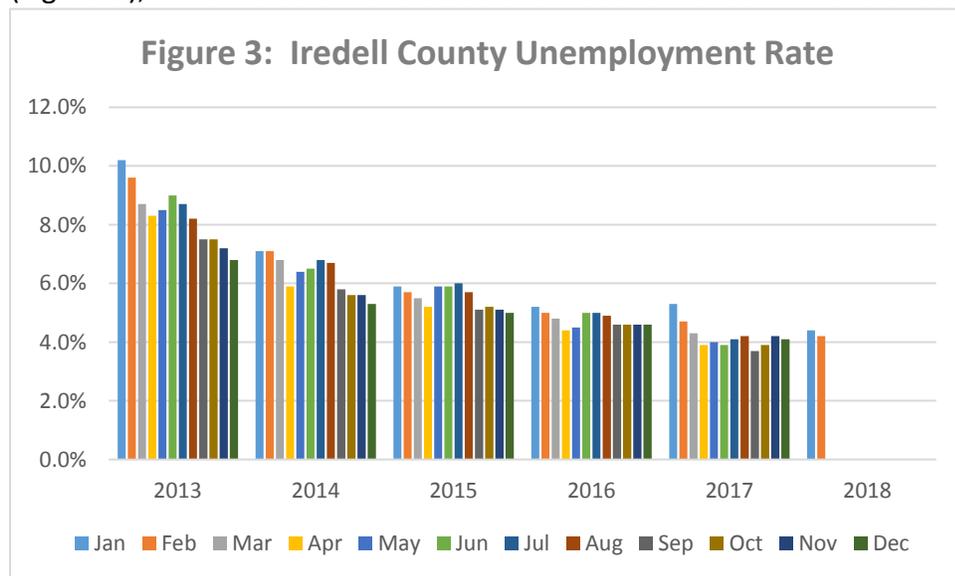


Most of that growth is seen in the southern portion of the county but is beginning to move north as indicated in Figure 2.

Iredell County continues to grow at a relatively high rate. State projections for 2020 show Iredell County with an estimated population of 186,093 residents, which is a 16.7% increase in growth over a 10-year period of time. Our current 2018 estimated population of 179,740 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 15 counties that have a lower 2017-2018 tax rate. This is only possible 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 growth compliments our community and offers a competitive wage to our residents.



Our unemployment rate has continued to decrease since 2013 and was 4.2% as of February 2018 (Figure 3), which is below the State and National levels. This is a leading indicator that our



economy is strong and stable and lends great confidence in our anticipated revenue projects.

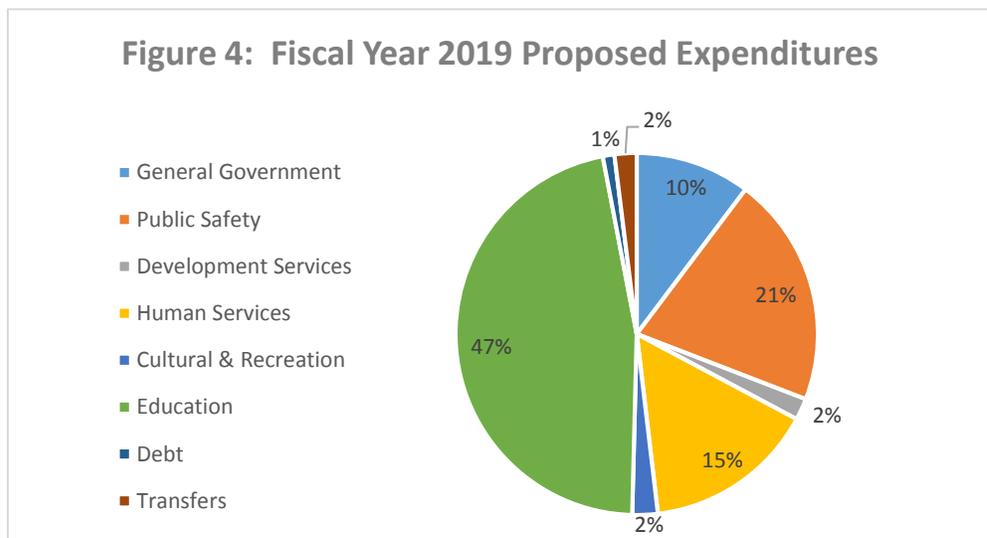
Taking all of these factors into consideration, ad valorem tax revenues are expected to increase by 2%, based on anticipated new

growth, and sales tax revenues are estimated to rise by approximately 4%. The 2019 Fiscal Year budget recommendation is predicated on an overall growth of a 2%, \$3.6 million, increase in revenues.

Expenditures

I am proposing an overall 4.91% increase over last year’s budget. 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 \$12.5 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.

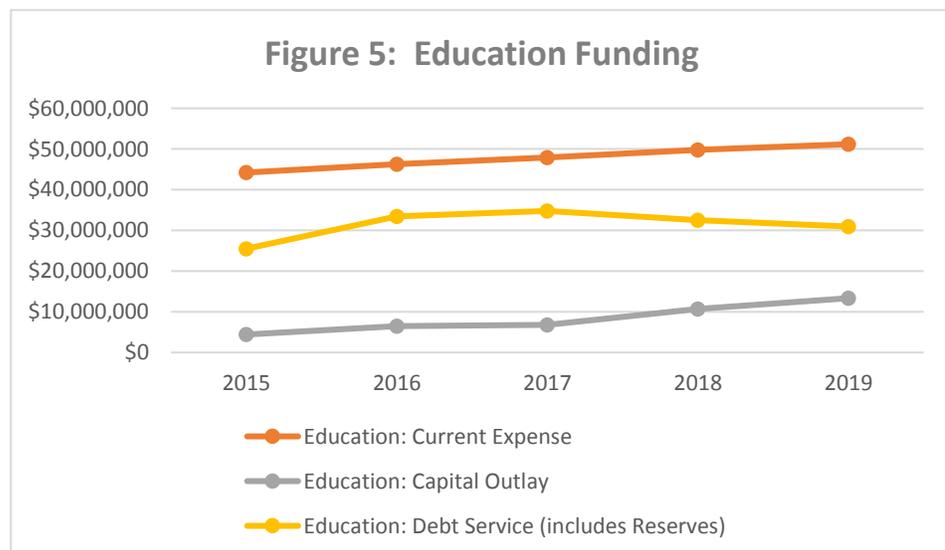
Figure 4 shows the breakdown of expenditures by category. These percentages are very similar to years past, with the top three areas being in education (47%), public safety (21%) and human services (15%).



Education

Funding for the three education systems comprise 47% of the proposed budget, which is an increase of 2.67% over FY2018.

In FY2019, there is a total increase to public education of \$2,482,909 (figure 5). This will increase the



per pupil amount to \$1,625, up from \$1,593 in FY2018, and will be uniform between Iredell-Statesville Schools (I-SS) and Mooresville Graded School District (MGSD).

I-SS will see an increase of 2.67%, or \$963,330, in current expense and 20.97%, or \$1,770,587, in capital outlay. Based on our funding formula, debt will be reduced by 5.88%.

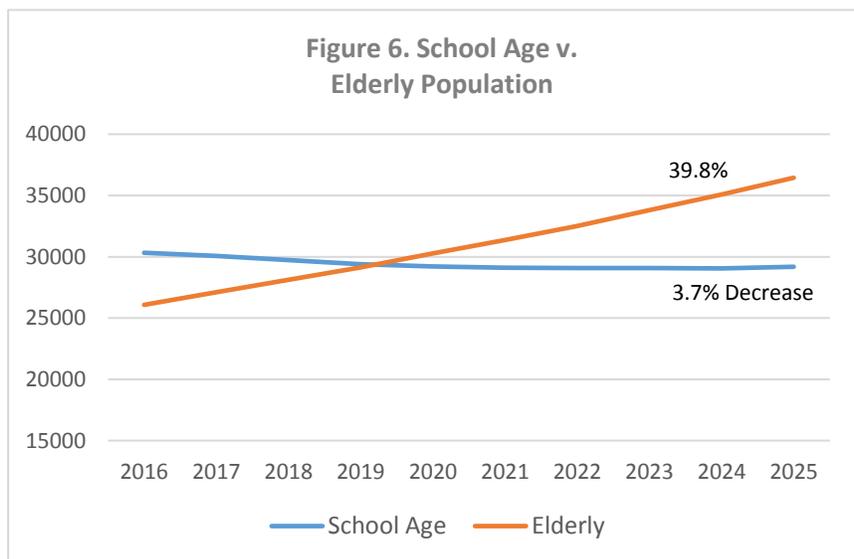
MGSD will see an increase of 3.32%, or \$341,275, in current expense and an increase of 63.46%, or \$787,039 in capital outlay. Debt will be reduced by 4.63%, which directly correlates with the increase in capital outlay funding the schools will receive.

Mitchell Community College (MCC) will receive 2.56%, or \$86,321, more in current expense in the upcoming year, while capital outlay will increase by 6.27%, or \$64,792. Debt will decrease by 3.7%.

Public Safety

The construction of the Jail addition will be complete in early 2019. In order to adequately prepare for the increase in the operational cost of the new facility we began rolling excess funds at the end of each fiscal year generated in the Sheriff's Office and Jail budgets into a Jail Operations Fund. That fund currently has accumulated \$3.6 million, which will be used to fund 28 new positions requested in the detention center. While excess funds will no longer be rolled into this fund once the jail addition comes on line, we will continue to budget those funds each fiscal year to help minimize the operational expense impact over the next one to two years.

In the 2019 fiscal year, we will begin to see a shift in the demographics of our population (Figure 6). We will see our aging population begin to outpace our school age population, which will increase the demand for public safety agencies as a whole. For this reason we need to strategically plan for the shift in demand.



Citizen safety remains

foremost on our minds and for this reason, the 2019 Fiscal Year budget includes an additional 17 new public safety positions, aside from the 28 new jail positions. These positions include seven in the Sheriff's Office ranging from road Deputies to a Drug Detective, five in Emergency Communications, four full time in EMS and one 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

This year I am recommending three new positions in the human services area to include a new Veterans Service position and two Income Maintenance Caseworkers in Social Services. It is important to note that both positions in the Social Services Department are 75% funded through the State. It is anticipated that the Social Services renovation at Government Center South will be complete in the 2019 Fiscal Year and will allow us to expand our services to the Mooresville area.

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 3% from January-March, 2018. 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 working 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 to continue with our newly established practices including the performance-based merit increases up to 5% again this year. I am also recommending to extend the employee health clinic physical therapy hours from 16 to 25 hours per week. In addition, we will begin allowing dependents, ages three and up, as well as retirees who are on our health plan to begin utilizing our health clinic. All of the health clinic additions are being covered through savings realized through reduced stop loss premiums and claim reductions.

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. I am recommending four new positions in the General Governmental Departments, which include one new position in the Tax Assessor's Office as well as two new positions in our Information Technology Department. I have also challenged 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 Government Center South.

ICATS and Solid Waste will both add to their staff, although these are not from county 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 efforts to accommodate the growth with additional staffing and streamlined solutions where possible. This year I am recommending a new Permitting Specialist in Central Permitting, which serves as the single point of contact for most of our customers. This budget also reflects the utilization of collected technology funds as part of the permit fees to be reinvested in the purchase of new software to 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 \$440,886 proposed in facility improvements and \$3,388,900 to fund the Capital Improvement Plan (CIP). This number does not include the Jail expansion or the Public Safety Complex construction projects, which have their own project ordinances.

We have included funds for various existing facility renovations and repairs, which includes phase II repairs to the Government Center to complete necessary structural repairs and restore the historical character of the building. Several renovation projects are planned at Government Center South to better utilize space the County currently owns and expand our presence to the southern portion of our County. With the legislated change in the juvenile age, there is a need for additional space for Juvenile Probations. In order to accommodate that need, we are planning to relocate the Sheriff's Office, currently on the first floor of Government Center South, to newly renovated space on the second floor. Additional funding is budgeted to complete renovations of space at Government Center South for Social Services as well as initiating the first phase of the Government Center South parking lot extension and repair. Funds are also allocated for necessary repairs at the fairgrounds as well as for drainage and erosion control/flood measures needed at the Vehicle Services Department.

EMS has several 2012 and 2013 ambulances that cannot be remounted, as is our policy. This will be the final year for a relatively large expense as we complete the replacement of these ambulances. This does have a positive aspect in that these trucks will move to the "spare" fleet, as it is very low. This year is a relatively large vehicle replacement year and for that reason I am recommending to finance all of our vehicle purchases over a five year period. This will spread the cost and allow the opportunity to address as many needs as possible with limited resources.

In an effort to begin planning ahead for future facility needs there are also funds set aside for a Justice Quadrant Master Plan Study.

Economic Development

I am proposing to use some economic development funds to help add 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 implement 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 in creative and relevant videos and stories.

Recommendation

This message fulfills my obligation under North Carolina General Statute 159-11 to present the recommended Fiscal Year 2019 budget of \$204,998,368 utilizing \$1,250,000 of fund balance. This will maintain the tax rate at 52.75 cents per \$100 valuation, based on a tax base of \$23,124,640,000 with a collection rate of 98.85%. The fund balance on June 30, 2018 is estimated to be \$37,888,582, which is 18.48% of the recommended budget.

Respectfully Submitted,

A handwritten signature in blue ink that reads "Beth M. Jones". The signature is written in a cursive style with a blue ink color.

Beth M. Jones
Acting County Manager