

May 23, 2011

The Randolph County Board of Commissioners met at 6:00 p.m. for a special budget session in the 1909 Randolph County Historic Courthouse Meeting Room, 145 Worth Street, Asheboro, NC. Commissioners Holmes, Frye, Haywood, Kemp and Lanier were present. The purpose of this meeting was to hear a formal presentation of the Proposed FY 2011-2012 Budget and budget requests from the County and City Schools and Randolph Community College.

Will Massie, Assistant County Manager/Finance Officer, presented the Proposed FY 2011-2012 Budget via PowerPoint presentation. He stated there are long-term structural changes in the economy, from Federal and State policymakers, and public expectations that will affect how local government provides services and how citizens pay for them. He noted the following items that are affecting the budget:

- Decline in real estate value and new development
- Less sales tax and revenue sources
- Less Federal and State financial assistance
- Loss of public school building capital funds
- Cost shifting from State to County
- More reliance on property tax than ever

Mr. Massie listed the following pressures the County faces with the current 2010-11 Budget:

- County revenue loss due to recession
- Repercussions of State budget crisis passed on to counties by actions of NC General Assembly
- Increased demand for many services
- Two years of budget cuts make it difficult to maintain existing services
- Use of reserves to balance budget

Mr. Massie reviewed the following highlights in the proposed budget:

- No increases for current expense or current capital for Randolph Community College or public schools
- No pay plan adjustment for County employees
- No requested new positions for departments included in proposed budget
- New requests from outside agencies include:
 - Senior Adults Assn. requesting \$6,500 for RCATS
 - Partnership for Children requesting \$29,000
 - Ash-Rand is requesting \$50,000
 - Randolph Hospital is requesting \$298,777
- Contingency Fund includes a \$400,000 contribution to the County employees' 401(k) plan and \$107,132 from eliminated positions that could be used for critical positions in other departments.
- Requests from three fire districts for their district tax rate to increase

Mr. Massie said that the FY 2011-2012 Proposed Budget is balanced at \$110,801,757, an increase of \$608,247 or .55 percent over last year's budget and is still based on a property tax rate of 58.6 cents per \$100 valuation, same as last year. In 2010-11, Randolph County had the 39th lowest property tax rate of N.C.'s 100 counties. Mr. Massie noted that several neighboring counties have a tax rate higher than Randolph. At the current valuation and collection rate, one cent on the tax rate produces \$981,720. The estimated property valuation for 2011-12 remains at \$10,100,000,000, the same as the past three fiscal years. Lack of residential and commercial development, decline in new car sales, and a slowdown in the replacement of business equipment have limited growth in the property base. Every year, there is \$100 million in depreciation on personal property, and there will likely be difficulty maintaining the current tax base until property development and business investment resumes. A considerable amount of the County's reserve will be drained to make it through the end of the current fiscal year; the County currently has \$4.3 million appropriated in 2011 with little hope of recovering it. The 2012 Proposed Budget requires the use of another \$4,995,777. Continued use of appropriated fund balance just creates additional pressure on the property tax rate next year.

Budgeted Revenues and Other		
	<u>Financing Sources</u>	
	<u>FY 2011-12</u>	
Ad Valorem Property Taxes	\$ 58,828,792	53.1%
Local Option Sales Tax	16,200,000	14.6%
Other Taxes and Licenses	1,339,000	1.2%
Unrestricted Intergovernmental	520,000	0.5%
Restricted Intergovernmental	18,163,530	16.4%
Permits and Fees	977,600	0.9%
Sales and Services	8,992,784	8.1%
Investment Earnings	310,000	0.3%
Miscellaneous Receipts	474,274	0.4%
Appropriated Fund Balance	4,995,777	4.5%
	<u>\$ 110,801,757</u>	

Budgeted Expenditures and Other		
	<u>Financing Uses</u>	
	<u>FY 2011-12</u>	
County Services	\$ 60,797,610	54.9%
Education	27,582,041	24.9%
Debt Service	15,543,093	14.0%
Appropriations to Outside Agencies	4,171,881	3.8%
Transfer to Other Funds	2,200,000	2.0%
Contingency	507,132	0.5%
	<u>\$ 110,801,757</u>	

Mr. Massie stated that after various user fees, grants, and other revenues are matched to the expenditure categories, property taxes fund the difference. The proposed 2012 property tax rate of 58.6 cents is used as follows:

County Services	23.0¢
Education	25.5¢
Debt Service	8.1¢
Appropriations to Outside Agencies	<u>2.0¢</u>
	58.6¢

Like every other entity, Randolph County government has reacted to the recession and evaluated its operations to find cost savings and efficiencies. Unlike some businesses, however, demand for most County services has greatly increased over the past few years. Randolph County is always conservative and provides essential services, but budget cuts continue to affect the County's ability to provide critical services. Departments cut around three percent of their operating expenses in 2010 and another three percent in 2011. Departments work diligently to provide quality services to taxpayers within the budget appropriations they are given. However, in many departments, the increase in workload is stretching our employees, equipment and budgets to the edge. There comes a point that a department cannot provide a satisfactory level of service without devoting more financial resources towards operations. Several departments have significant needs, which are detailed in the requests. Obviously, without financial resources, these requests could not be included in the proposed budget. Only property taxes generate the revenues needed for any substantial initiative.

For the 2011-12 proposed budget, the following short-term budget priorities were established:

- Fund departmental operations at the minimum necessary to maintain public safety and other critical services that citizens expect and demand
- Maintain current level of financial assistance to public schools, the community college, and outside agencies
- Minimize the use of appropriated fund balance and other reserves for recurring costs

Mr. Massie concluded by saying that Randolph County will continue to face issues that will put additional pressure on our property tax rate. County officials have a responsibility to communicate the status of departmental operations to the Commissioners and to the public; the Board has the responsibility to find the right balance between meeting the public's demand for services and the public's desire to pay for them.

Randolph County Schools

Donald Andrews, Randolph County Schools Superintendent, discussed the Randolph County Schools budget request. He said that the current state of our economy continues to have a negative financial impact, and requested that the Board accept the County Schools' budget request with only continuation costs. Mr. Andrews said that the County Schools has implemented cost savings procedures into their current budget. These reductions, combined with the expansion items, result in a Current Expense request of \$17,372,375; Capital Outlay request is for \$2,241,330.

Asheboro City Schools

Dr. Diane Frost, Asheboro City Schools (ACS) Superintendent, reported that ACS remains committed to their 2010-2013 strategic plan. She said they are not requesting any additional funds for expansion budget items or salary increases, but, in order to fund the continuation budget, they requested \$4,419,900, which is \$128,258, or three percent over last year's appropriation. The increase in expenses are due to State budget cuts, retirement contribution rates and the expected increase in hospital insurance rates as well as the projected growth in enrollment.

Dr. Frost requested \$570,250 for Current Capital and \$250,000 for Construction Capital to fund the following projects: 1) upgrades to restrooms, electrical, sound system and lighting at AHS; 2) HVAC upgrades at Balfour; 3) elevator for handicapped accessibility at SAMS; 4) roof repairs; and 5) furniture. Dr. Frost said that no increase in the current Asheboro City Schools Special Tax District rate of \$0.1385 is requested for FY 11-12.

Randolph Community College

RCC President Dr. Robert Shackleford stated that the RCC budget is broken out at 85% for operations which is funded by the State and 15% is for capital and is provided by the County. RCC was fortunate to have received nearly \$700,000 in grant funding to take care of some projects. The college had a 36% increase in enrollment, largely due to the loss of jobs in the area, but had a 16% decrease in the operating budget. They have made many sacrifices, such as travel, spending and hiring freezes as well as realignment of many employees. The State is estimating another 10-12% cut to the college for next fiscal year. Dr. Shackleford stated that they refuse to lower standards and made the choice to serve the county rather than closing the doors as had been suggested.

Dr. Shackleford stated that the only increase they are asking for is a .07 increase totaling \$16,000 for retirement and health care costs increases.

Dr. Shackleford also gave an update on the Industrial Trades Center (former Klaussner building) project, stating that the design phase had been completed and they have received approval from the State to begin construction. Now they need to determine when to bid and when to start construction. If they can go to bid now and start construction by fall, they could be in the building by August of 2012. They have until September to go to bid or they have to go through the State construction application process again and run the risk of higher construction costs if they wait. They are requesting that the County advance them funds for the project until sales tax revenue can be used to repay the debt. Dr. Shackleford stated that they would be able to pay the County \$170,000/month, and promised to repay the County in full by August of 2013.

Dr. Shackleford thanked the Board for their continued support of RCC and the citizens of Randolph County.

Adjournment

There being no further business, the meeting adjourned at 8:08 p.m.

J. Harold Holmes, Chairman

Darrell L. Frye

Phil Kemp

Stan Haywood

Arnold Lanier

Amanda Varner, Deputy Clerk to the Board