



County Manager

Davie County Government

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DavieCountyNC.gov



To: Davie County Commissioners

From: David Bone, County Manager

Date: May 21, 2021

Re.: Fiscal Year 2021-22 Budget Message

Commissioners,

In accordance with the General Statutes of North Carolina, I respectfully submit for your review and consideration the Manager's Proposed Budget for the Davie County for Fiscal Year 2021-22. The FY 2021-22 Budget totals \$89,926,276 for all County General Fund operations, capital improvements and debt service. The budget is based on a property tax rate of \$0.733 per \$100 of valuation. The value of a penny of property value equates to approximately \$515,000. In addition, we have maintained a \$0.04 countywide fire tax, and the Advance Rural Fire Protection District tax recommended rate is \$0.02438 (in addition to the current \$0.04 county-wide fire tax). The budget is balanced and prepared in accordance with the Local Government Budget and Fiscal Control Act.

Fund	FY 2022 Manager Recommended
General Fund	\$71,026,091
Capital Improvement Plan – General Fund	\$3,608,920
Advance Rural Fire Protection District Fund	\$452,493
Environmental Protection Fund	\$483,000
Public Utilities Fund	\$8,458,365
E-911 Fund	\$279,766
Employee Health Fund	\$5,617,641
Total FY2021-2022 Recommended Budget	\$89,926,276

Revaluation

North Carolina General Statute § 105-274 states all real and personal property located within its jurisdiction shall be subject to taxation unless it is otherwise exempted or excluded from taxation by law. North Carolina General Statute § 105-286 requires each county to conduct a General Reappraisal of all real property at least



once every eight years. Davie County conducts General Reappraisals every four years. The primary purpose of any revaluation program is to provide equalization among all property owners, as well as among all classes of property.

Since property taxes are based on value, it is important to have all property valued periodically on a uniform basis, using a modern system of valuation. Property values change with time. Some values go up, some go down, and others remain static. Appraisals must be updated, or inequities in tax distribution will result.

Reappraisals cover all residential and commercial land and structures, which includes homes, apartments, condominiums, office buildings, stores and warehouses. Reappraisals do not include what is classified as individual personal property, such as vehicles, boats and business equipment. These property types are valued annually.

North Carolina General Statute § 105-283 requires appraisals to be made of each property's "true value in money" or "fair market value", which is the most probable price a property would bring in a competitive and open market. Property values for a reappraisal are determined by comparing what similar properties are selling for, what it would cost to replace one's property, the potential income or highest and best use of one's property, as well as many other factors that may affect value.

During the revaluation, professional appraisers analyzed data by reviewing properties and establishing the estimated fair market value (i.e., the price a willing seller would receive from a willing buyer).

Davie County completed a property revaluation in 2021 that resulted in an average increase of 8% to property values, which is reflected in the FY2021-2022 budget. Apart from the increase of \$0.108 for the new High School debt and the \$0.01 for the new county park that were both voted on by our citizens, the county has not increased the property tax rate for operations since FY 2006-2007 (fifteen years).

The FY2022 budget reflects a reduction of ½ cent in the property tax rate. Therefore, it is advantageous to grow our housing, retail base, and economic development opportunities to proactively prepare for the future.

The next revaluation should be completed by January 1, 2025.

Bond Rating / Fund Balance / Adherence to County Financial Policies

The county has maintained a Bond Rating of Aa2 by Moody's Investors Service (Moody's) and a rating of AA+ by Standard and Poor's (S&P). These rankings are excellent for a rural county, as only urban counties are ranked higher due to their growth and tax base. Moody's and S&P rated Davie County at this high level, due to our strong history of budgetary performance, conservative budgeting philosophy, ability to balance service demands with available revenues, our fiscal policies that govern our work, and our performance based budget process, which improved fiscal forecasting. Our strong ratings show Davie County is extremely competitive in the Piedmont-Triad region of North Carolina.



The Local Government Commission (LGC) recommends municipalities and counties establish a general fund balance reserve of 8%, or the equivalent of one month's worth of operating expenses. Consistent with Davie County's mindset of fiscal sustainability, the Board has adopted a fund balance reserve policy of 25% for the General Fund, more than triple the LGC requirement. Commissioners may appropriate funds that would reduce the Available Fund Balance below the 25% threshold during declared fiscal emergencies or to protect the long-term fiscal security of the county. **In such circumstances, the Commissioners will adopt a plan to restore the Available Fund Balance to or above the threshold within 36 months from the date of the appropriation.** Currently, Davie County has an available fund balance reserve of 20.17%. Given the fiscal impact of the coronavirus epidemic, the fund balance will be further impacted making the need to develop a fund balance plan even more critical.

Since the available fund balance is below 25% as of June 30, 2019 (24.39%) and June 30, 2020 (20.17%), staff recommends the Board of Commissioners consider adoption of a Fund Balance Restoration Plan to get the fund balance over 25%. To this end, staff recommends the following strategies in the development of the FY 2021-22 Budget:

- Recommend conservative appropriations;
- Recommend conservative estimated revenues;
- Recommend appropriated Fund Balance amount that is \$1,200,00 lower than the previous fiscal year; and
- Present budget amendments for revenues that exceed previous estimates to fund balance appropriated, instead of making further appropriations.

The county has a policy establishing a minimum 10 Year Tax Supported Payout Ratio of 55% measuring the amount of principal to be retired over the next 10 years. This ratio is an important metric that indicates whether or not a locality is back-loading its debt. Davie County's current ratio is 81%. The county also has a policy establishing a maximum Debt to Assessed Value of 2.50%. Currently, Davie County's existing Debt to Assessed Value is 1.42%. Moody's criteria for General Obligation Credits for Debt to Assessed Values shows Davie County within the Strong category while S&P acknowledges ratios below 3% as positive. Governmental Expenditures represent the ongoing operating expenditures of the county. In this analysis, debt service and capital outlay expenditures are excluded. The county has a policy establishing a maximum level of Debt Service to Expenditures of 15.00%. S&P notes the Debt and Contingent Liabilities as categories of Net Direct Debt as a percentage of Total Governmental Funds. Davie County falls within their Strong Category, with a projected ratio of 14.46% for FY 2021. The Board may, from time to time, allow ratios to fall below a policy for a declared fiscal emergency or other such purpose, as to protect or enhance the long-term fiscal security. In such circumstances, the Board will adopt a plan to restore the policy to the target level within a specified time frame.

The Board has also approved prudent fiscal policies to help guide future growth in our Water and Sewer Enterprise Fund, while also providing greater fee predictability for residents, year to year. These policies will provide for future predictability, allow for orderly expansion of services and operations within the financial framework, ensure efficiency while providing necessary services, and maintain a minimum debt service coverage ratio (Net Revenue Available for Debt service ÷ Annual Debt Service) of 1.50x of Total



Indebtedness. In addition, the county will maintain a minimum liquidity balance for the Enterprise Funds equal to 365 Days Cash on Hand. Days Cash on Hand represents the unrestricted cash balances of the Enterprise Funds ÷ Annual Operating & Maintenance Expense ÷ 365. As determined by the Financial Forecast, the county will implement annual rate increases, as necessary, with a goal of limiting any increases to a maximum of 3.00% in any given year (unless approved by the Board of Commissioners).

Davie County follows a staggered rate increase to avoid any large spikes in utility services for citizens, while staying below the state and national annual escalation rate average of 4-6%. This budget includes the fee recommended by our consultant (Raftelis), as noted on the approved fee schedule, and includes the approved/projected escalation rate of 4.75%.

Impacts to the FY 2021-22 Budget and Future Budget Years

Davie County's agreement with Republic Services (dated May 2, 2016) included bi-weekly recycling to all county residents, as curbside recycling has been provided since 2005. Due to changes in the recycle markets and the impact on the current collection agreement with Republic Services, the county will end this contract on June 30, 2021.

Needs typically exceed revenues. To combat this, Davie County continues its commitment to a Performance Based Budgeting philosophy. This allows us to focus on historic/actual spending, prioritizing outcomes, and using data to make informed decisions. This will require us asking questions we may not have asked before in order to compile data that enables us to show the results of the exemplary work being done by staff each and every day.

As more companies choose to invest in Davie County, we hope their investment will result in jobs that pay above the median income. While economic growth is positive for communities, it comes with an associated cost that must be planned for in order to maintain financial sustainability. Population growth brings increased service demands for county services. Economic development is strong, and we hope to enhance these efforts more over the next few years, as we plan for future growth and infrastructure.

As the county grows, it will be important for us to maintain, or even increase, service delivery to our citizens. Therefore, our staff will continue to explore innovative ways to create revenue while looking toward outside funding. We will also continue to work with our federal, state, and local elected officials on collective outcomes and needed resources to best serve the citizens of Davie County.

Davie County is scheduled to receive \$8,309,718 in Federal Coronavirus recovery assistance through American Rescue Plan Act funds. County staff continues to study the rules of how these funds can be allocated. The deadline to obligate these funds is December 31, 2024, and the funds must be used by December 31, 2026.

Davie County continues to invest in needed capital improvements which citizens will see as a result of our Facility Space Needs Assessment recently conducted. The county is also investing in enhanced technology, streamlined operations, and the continuation of a multi-year classification and compensation process to ensure our staff is compensated by "at market" rates to remain a competitive employer in our region.



The budget includes a cost of living adjustment, as well as a potential performance merit increase for all employees. In regards to staff benefits, this budget includes increases for both retirement contributions and health insurance premiums. To reduce Health Care Claims, we will continue the Health Risk Assessment (HRA) for full time employees and their spouses on the county's health insurance plan.

Budget Highlights

- Property taxes will decrease by ½ cent to \$0.733. The countywide fire tax rate will remain at \$0.04. In addition, the Advance Rural Fire Protection District tax rate will remain at \$0.06438.
- Revised Fee Schedules;
- Canine Privilege Tax will be rescinded on tax bills beginning in 2021;
- Supporting 357 Full Time and 107 Part Time/Hourly staff to provide superior services to our citizens;
- Continuing policies that assist with good fiscal performance for both our General Fund budget and Enterprise Fund for Public Utilities;
- Employees are eligible to receive up to a 2% salary increase unless they are experiencing any current performance issues and/or are serving in a probationary status. This will consist of those eligible receiving a 1% cost of living increase in their salary beginning on July 4, 2021. Probationary employees are eligible to receive the 1% increase at the completion of their probationary period. Further, employees who perform well, as noted on our county-wide performance appraisal, may be eligible to receive up to an additional 1% salary merit, as determined by their department director on their anniversary date;
- Investments in employee wellness programs for staff to keep our self-insurance rates as low as possible for employees, including continuing Health Risk Assessments at the County Employee Wellness Center;
- Investments in staff development and training;
- Continuation of a multi-year market rate study cycle to ensure staff salaries are competitive in our region;
- Increase in retirement contribution rate according to NC Local Government Employees' Retirement System regulations;
- Continued implementation of our Davie County Comprehensive Plan, and construction of regional water expansion facility to align and complement our County Strategic Plan;
- Implementation of a County Building Staging Plan based on the Facility Space Need Study;
- Incentives for business recruitment, growth, and retention for economic development;
- Continued investment in Senior and Veteran services/programs and expansion of Senior Center programming at the Brock gymnasium;
- Increased funding for community recreation centers will be reviewed and allocated by the Recreation and Parks Advisory Board;
- Operational increases for the new county park and partnership with Twin City Soccer for field turf;
- Funding for cultural, arts and tourism partner agencies;
- Continuation of our vehicle replacement plan to replace decommissioned vehicles and one ambulance that have reached end of life;

- Increased Fire Department/Rescue funding, fire ordinance completion, Fire Works reporting software for all departments that interfaces with new computer aided dispatch (CAD) system, and mobile radio updates for fire and rescue departmental radios purchased by County in 2016;
- Adherence to the five focus areas and monitor key departmental metrics as outlined in the Davie County Strategic Plan and performance based budget;
- Improving our safe and healthy community with enhanced access to health services through expanded convalescent care transportation, community para-medicine, and partnership with a Federally Qualified Health Center;
- YVEDDI Transportation Services to residents (and supporting the Mocksville Circulator Route);
- Continued investment in Davie County Schools through the Interlocal Agreement for education of our children (eighth consecutive year of increase);
- Continued investment in secondary education for Davie County citizens through increased contribution to Davidson-Davie Community College;
- Adherence to the Interlocal Agreement of our three towns;
- Mileage reimbursement rate of \$0.45 per mile;
- Investment in our environment through Cooperative Extension, NC Forest Service, Davie Soil and Water Conservation and Davie County Watershed Improvement Commission;
- Alignment with Davie Economic Development Commission's Strategic Plan (Workforce Development through Ignite Davie Promise /Davie Works, Cognition Museum, economic development incentives, and next gen leadership);
- Operational increases to support new county park and partnership with Twin City Soccer for field turf;
- Contribution to Lake Louise Park for maintenance.

Statutory Requirements

North Carolina General Statute § 159-11(b) requires the County Manager to submit a proposed budget and budget message to the governing body by June 1st of each year. On the same day that the budget is presented to the governing body, the budget officer shall file a copy of it in the office of the clerk for public inspection and schedule a public hearing. This public hearing has been scheduled for the regularly-scheduled Board of Commissioners Meeting on June 7, 2021 at 6:00 p.m.

The governing body must adopt the annual budget ordinance by July 1st [North Carolina General Statute 159-13(a)]. However, North Carolina General Statute § 159-16 directs that if the budget ordinance is not adopted by July 1st, the governing body must adopt "interim appropriations for the purpose of paying salaries, debt service payments, and the usual ordinary expenses" of the county until the ordinance is adopted. North Carolina General Statute § 159-13 specifies that not earlier than 10 days after the budget is presented to the governing body and not later than July 1st, the governing body shall adopt a budget ordinance. Otherwise, the Board of Commissioners may adopt an interim budget ordinance to be effective from July 1st to August 1st.

The public hearing on the recommended budget is schedule for June 7, 2021 at 6 pm. Budget information can be found on our website at <https://www.daviecountync.gov/222/Budget>.



Closing Remarks

Davie County's vision statement affirms we will be a vibrant, prosperous, and dynamic county, committed to building a sustainable future for generations to come, while celebrating our rural heritage and enhancing our quality of life. Our mission statement notes our desire to provide superior public service, offering all citizens the opportunity to improve their quality of life, while enjoying the benefits of a safe, healthy and vibrant county.

We are pleased to work with the Board of Commissioners to further the county's Strategic Plan (<https://www.daviecountync.gov/847/Supporting-Resources>) and work diligently to serve our staff, citizens, and community. Our five focus areas (Safe & Healthy Community, Growth and Infrastructure, Business Operations, Quality of Life & Place, and Education) will guide our organization in making decisions as we focus on outcomes.

Government cannot independently solve all of our issues. Davie County is filled with wonderful people who volunteer daily to better our community. It takes all of us in conjunction with our towns, county staff, private sector partnerships, nonprofits, faith-based partners, and volunteers to effectively serve our county.

Thank you, Commissioners, for your input during the budget development process. Also, I thank our Department Directors for their tireless efforts and each county employee who faithfully serves the citizens of Davie County daily. May we collectively continue to move the county forward.

Cc: Stacy Moyer, Clerk to the Board
Robin West, Assistant County Manager/ Chief Financial Officer
Cindy Chapman, Strategy and Budget Director
Ed Vogler, County Attorney
Department Directors