



County Manager

Davie County Government

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DavieCountyNC.gov



To: Davie County Board of Commissioners

From: Brian Barnett, County Manager

Date: May 19, 2023

Re.: Fiscal Year 2023-24 Budget Message

I am proud to present my first balanced budget as Davie County Manager for the Fiscal Year 2023-2024. This recommended budget is prepared in accordance with the North Carolina Local Government Budget and Fiscal Control Act. The Recommended Budget is by no means flashy, but maintains expected service levels, continues sufficient funding for education, and shows continued commitment to public health and safety. The recommended budget totals \$105,660,125. This amount includes \$80,963,605 for the General Fund, and \$3,774,439 for the establishment of the new Fire Fund (previous fire funding was located within the General Fund). The Recommended Budget also maintains the current Ad Valorem Tax Rate of \$0.773 per \$100 valuation.

BUDGET PROCESS

In January of 2023, departments were given revenue and operation projections to assist in creating their recommended budgets. County Commissioners held three budget workshops (January 9th, March 21st, and April 24th), and departments were given the opportunity to present future operational, personnel, and capital expenses. Departments submitted their requested budget in March, and through careful review using revenue projections, requested budgets were reduced. These reductions included request for new positions, expansion of current appropriations, and capital needs. The Manager's initial reduction to the requested budget totaled over \$10 million in the General Fund.

REVENUE ESTIMATIONS

Davie County's General Fund receives the lion share of revenue via Ad Valorem Taxes. This includes all taxable real property, business personal property, motor vehicles, and public services. The County's property valuation is estimated to be \$5,440,145,668. Due to increased tax collections through the Davie County Tax Office, the budget assumes an increase in the property tax collection rate from 98.97% to 99%. Davie County's property tax base has weathered the storm of COVID-19, and the County is taking full advantage of increased property values, increased industry, and new residential development in the County's primary and secondary growth areas. However, the County must maintain "fiscal discipline" as inflationary costs are increasing faster than the natural growth in the County's tax base.

Davie County, like other rural counties, collects water and sewer fees and charges. The Utility Fund is estimated to collect \$7,427,000 in fees and charges. Davie County follows a staggered rate increase to avoid

any large spikes in utility services for citizens, while staying at the low end of 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 4.5%.

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<u>Water</u>						
Bi-monthly Base Charge (Includes 3kgal)	\$ 30.10	\$ 31.50	\$ 32.80	\$ 34.20	\$ 35.40	\$ 36.70
> 3,000 gallons	\$ 5.70	\$ 6.03	\$ 6.27	\$ 6.52	\$ 6.75	\$ 6.98
	3.00%	4.50%	4.00%	4.00%	3.50%	3.50%
<u>Irrigation</u>						
Bi-monthly Base Charge (Includes 3kgal)	\$ 30.10	\$ 31.50	\$ 32.80	\$ 34.20	\$ 35.40	\$ 36.70
> 3,000 gallons	\$ 7.50	\$ 7.84	\$ 8.15	\$ 8.48	\$ 8.77	\$ 9.08
	3.02%	4.48%	4.00%	4.00%	3.50%	3.50%
<u>All Other Sewer</u>						
Bi-monthly Base Charge (Includes 3kgal)	\$ 27.10	\$ 28.00	\$ 28.90	\$ 29.80	\$ 30.70	\$ 31.70
> 3,000 gallons	\$ 4.48	\$ 4.61	\$ 4.75	\$ 4.90	\$ 5.04	\$ 5.19
	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
<u>East Davie Sewer</u>						
Bi-monthly Base Charge (Includes 3kgal)	\$ 38.90	\$ 40.40	\$ 42.00	\$ 43.60	\$ 45.30	\$ 47.00
> 3,000 gallons	\$ 13.40	\$ 14.00	\$ 14.60	\$ 15.20	\$ 15.80	\$ 16.40
	3.88%	4.48%	4.29%	4.11%	3.95%	3.80%

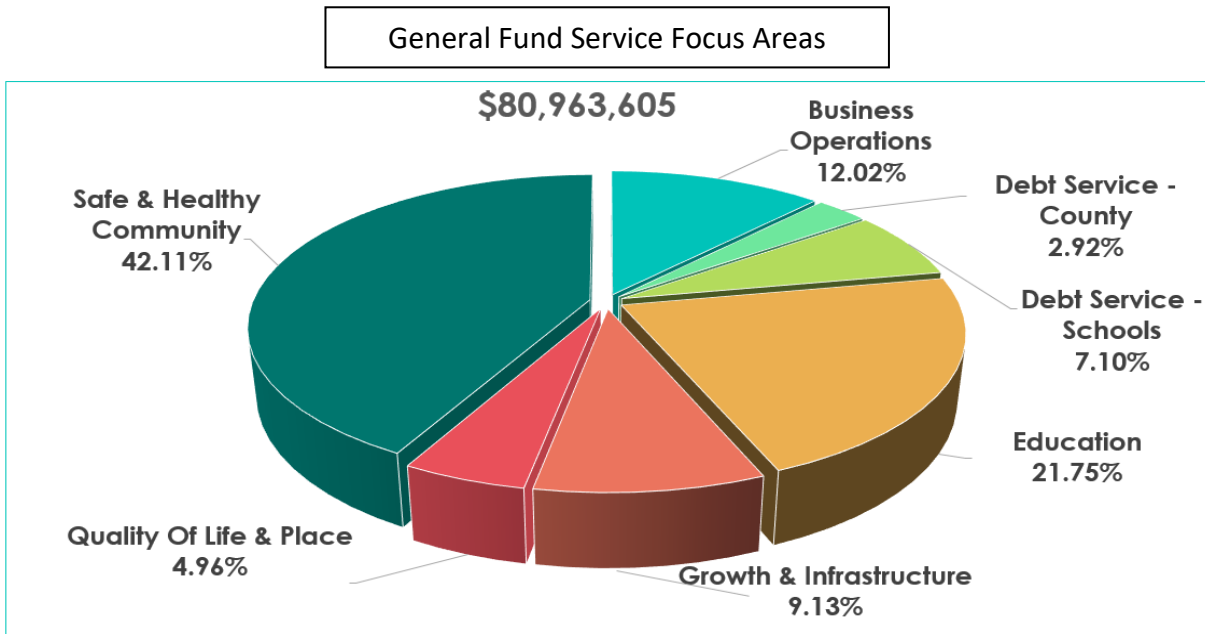
The Recommended Budget does change the process for volunteer fire department funding. Currently, the County levies a \$0.04 per \$100 valuation for countywide fire funding. However, the fire tax does not provide sufficient funding for fire operations. Therefore, the Recommended Budget establishes a new operating fund called the Fire Fund, and the General Fund will transfer an amount up to the equivalency of \$0.07 per \$100 valuation to the Fire Fund. This is not a new Ad Valorem tax, but a more fiscally sound procedure for countywide volunteer fire funding. Property tax bills will continue to look the same as prior fiscal years with the overall tax rate of \$0.733, fire tax of \$0.04, and in Advance \$0.0243. Even with this change in funding, the County recognizes this funding model primarily covers the current personnel and operational needs of the volunteer fire departments and new revenue sources will need to be assessed to address future capital expenses. The County will continue to administer the Advance Fire District of \$0.0643 per \$100 of valuation.

The North Carolina Local Government Budget and Fiscal Control Act does allow local governments like Davie County to utilize Appropriated Fund Balance as a revenue source to balance the General Fund Balance. Davie County has historically used Appropriated Fund Balance as a balancing revenue. Fund Balance is an important revenue source as it serves as the County’s main cash flow mechanism during the fiscal year, and can be used for unforeseen emergencies and opportunities. The Recommended Budget is balanced using \$2,336,001 in Appropriated Fund Balance. Throughout the upcoming fiscal year, County staff will monitor expenses and revenues in the anticipation of not having to actually use fund balance, and increase the overall amount of fund balance by June 30, 2024.

Fund	FY 2024 Manager Recommended
General Fund	\$80,963,605
Advance Rural Fire Protection District Fund	\$507,733
Countywide Fire Fund	\$3,774,439
Environmental Protection Fund	\$448,000
Public Utilities Fund	\$8,796,496
E-911 Fund	\$185,715
Corona Virus Relief Fund	\$4,791,412
Employee Health Fund	\$6,192,725
Total FY2023-2024 Recommended Budget	\$105,660,125

EXPENDITURE HIGHLIGHTS

The County’s expenditures in the General Fund are divided across seven focus areas. (See below). The largest area is Safe & Healthy Community, followed by Education, which includes the County’s funding to Davie County Schools and Davidson-Davie Community College. The Safe and Healthy Community focus area funds all of public safety (Sheriff’s Office, Detention Center, EMS, Fire Marshal, and E911 Communications) with the exception of the transfer to the Fire Fund, which is in the Business Operations focus area. The Safe and Healthy Community focus area also funds Health and Human Services (Health, Department of Social Services, and Davie Center for Violence Prevention).



As with any North Carolina local government, the single largest overall expense is personnel. This budget is no exception. Due to estimated revenues, the Recommended Budget only contains a 1% market adjustment for employees. The County utilizes a performance appraisal system that evaluates each employee annually against a predefined work plan. Each employee that satisfactorily meets their goals and makes the appropriate score is eligible for a 2% salary increase.

At the outset of the budget process, 39 new benefited positions were requested by departments. Due to estimated revenues, only three full-time positions and one part-time position is being recommended. One full-time position is in the Utility Fund to assist with required state mandated water quality testing. The other two full-time positions are in Social Services due to the General Assembly approving Medicaid Expansion. In addition, these two positions come with a 75% reimbursement by State and Federal Funds. The one part-time position is a Technology Solution Technician who will be dedicated to Health and Human Services, and will be funded via a reimbursement.

Healthcare costs for employees continues to increase as claims also increase. The estimated per employee healthcare expense is increasing by 8.4%. This Recommended Budget absorbs the increase. The County will continue the practice of offering “employee only” coverage at no additional cost to employees.

Davie County is committed to ensuring top quality public schools. In 2013, the County and Davie County Schools entered into a funding agreement based on several factors. This Recommended Budget is the 10th straight year of using this fund calculation. Funding for Davidson-Davie Community College remains at historical levels.

Other Budget Highlights

- Property taxes will remain at \$0.773.
- Advance Rural Fire Protection District tax rate will remain at \$0.06438.
- Revised Fee Schedules.
- Supporting 408 Full Time and 147 Part Time/Hourly (43.3 full-time equivalent) staff to provide superior services to our citizens.
- Employees are eligible to receive up to a 2% salary increase for merit pay.
- Eligible employees will receive a 1% market adjustment increase.
- 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.
- Increase in retirement contribution rate according to NC Local Government Employees’ Retirement System regulations.
- Incentives for business recruitment, growth, and retention for economic development.
- Funding for community recreation centers.
- Contribution to Lake Louise Park for maintenance.
- Funding for cultural, arts and tourism partner agencies.
- Continuation of our vehicle replacement plan.
- Increased Fire Department funding.

- Continued investment in secondary education for Davie County citizens through contribution to Davidson-Davie Community College.
- Adherence to the Interlocal Agreement of our three towns.

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 5, 2023 at 6:00 p.m. Budget information can be found on our website at <https://www.daviecountync.gov/222/Budget>.

CONCLUSION

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, prosperous and vibrant county. Throughout the upcoming fiscal year, staff will monitor received revenues to seek opportunities to fund departmental operational and capital requests not included in the recommended budget.

As we bring to a close yet another budget development process, it has been a pleasure for me to work with the County Commissioners and staff to allocate public resources in preparation for a bright new fiscal year in Davie County. I would like to acknowledge the assistance from all County department heads and those staff members directly involved in the budget process and budget workshops. Special thanks are extended to Robin West, Assistant County Manager/Chief Financial Officer and Cindy Chapman, Strategy and Budget Director for their dedication in developing, balancing, and compiling the Recommended Budget.

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